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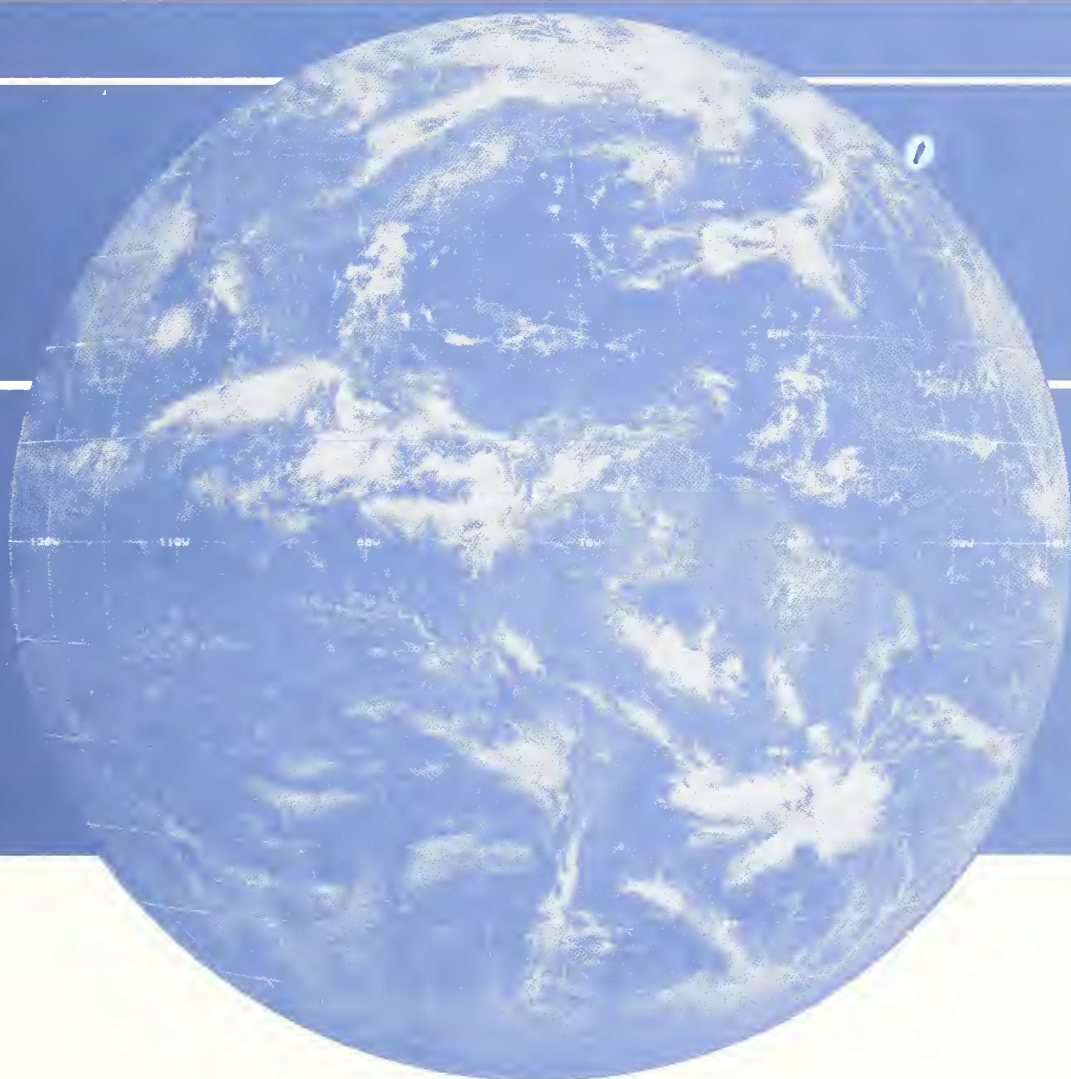
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World Agriculture

Outlook and Situation Report



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Note: Tons are metric, dollars are U.S., and rice is on a milled basis unless specified otherwise.

Summary

Continued strengthening of world economies will likely boost consumption, exports, and investment. Conditions in mid-November point to world economic growth possibly reaching 3 to 3.5 percent in 1984, compared with 2 percent in 1983. Unemployment rates should remain stable while interest and inflation rates may rise. World trade should benefit somewhat from economic growth, and will help strengthen economies in developing countries.

Among the industrialized nations, the United States is leading the recovery. U.S. economic growth will likely exceed 3 percent for 1983 and may rise to 5 percent in 1984. In other industrialized nations, growth may average 0.7 percent in 1983 and reach 2 to 2.5 percent in 1984. U.S. interest rates (and especially real rates adjusted for inflation) are also expected to be higher than in the other industrialized nations, and will help maintain a strong U.S. dollar in foreign exchange markets. A continuing strong dollar, however, could dampen foreign purchases of U.S. products, and could especially restrict developing countries already having problems servicing their international debts. Cutbacks in U.S. production have raised commodity prices, which will also limit purchases.

Only marginal gains will be seen in 1984 in the volume of world food and agricultural trade. This follows a decline in 1983, when U.S. agricultural exports fell 8 percent to 145 million tons. U.S. exports in 1984 are expected to decline another 5 million tons, but higher prices for most commodities should push their value up 12 percent to the \$39 billion of 1982.

Another marginal increase in 1984 is expected for global meat production, with rising feed costs likely to dampen growth in output. Pork and poultry output will be up, but gains will be limited. Beef and veal production will continue to decline. Total milk production, expected up 3 to 3.5 percent in 1983, may grow 1 to 1.5 percent in 1984, even with lower production in the United States and Poland.

Global grain production for 1983/84 is projected about 6 percent lower than the previous year's 1.54 billion tons. Substantially higher prices will limit increases in coarse grain use, but wheat use could be up nearly 2 percent. World wheat output will hit a record, and will likely exceed consumption despite a decline in the U.S. crop. Export prices will remain substantially under \$200 a ton, and trade, forecast at 100 million tons, will remain about the same as the previous 2 years. World rice output, expected to rise 2 percent, will remain below consumption, thus decreasing stocks. Trade will continue around 12 million tons. World coarse grain production is forecast down 13 percent in 1983/84, because of the sharply reduced U.S. crop. Rising consumption and reduced output will trim world stocks from 138.1 million tons in 1982/83 to about 60 million.

World oilseed production is forecast to fall 10 percent, to 162.3 million tons, primarily from the expected 30-percent drop in U.S. soybeans. The anticipated higher soybean prices will lead to a 5-percent fall in meal use, with much of the decline focused in the United States and the European Community. U.S. soybean exports could fall nearly 5 million metric tons, to 19.6 million, and soymeal exports could also fall 20 percent, to 5.1 million tons.

World sugar output in 1983/84 is forecast at nearly 95 million tons, down about 6 percent from the previous year's record. Consumption is forecast to rise 2 to 3 percent to about match production, leaving stocks near their 45-million-ton record and keeping prices at about 8 to 10 cents a pound in fiscal 1984.

Both global and U.S. cocoa use have been increasing, and the trend may continue in 1984. Cocoa bean production, forecast at 1.64 million tons, is up 7 percent from last year's weather-depressed output. This year's production should match use.

In 1983/84, global cotton production may decline to 65 million bales, down nearly 4 percent from the previous year. Rising world use and limited competition from the USSR and Pakistan have helped boost the U.S. export forecast almost 8 percent above the 5.2 million bales of 1982/83.

WORLD ECONOMIC CONDITIONS

Slow Recovery Gaining Strength

World economic conditions have improved slowly during 1983, but should pick up speed in 1984. Faster growth in consumption, exports, and investment, resulting from expanding money supplies, will likely be seen in the industrialized countries. Inflation and interest rates may rise next year and unemployment remain stable. World trade may accelerate somewhat from economic growth and help strengthen economies in the developing world. Even so, foreign exchange will likely remain scarce in many developing countries, especially those already troubled over their international debts, if increases in export earnings and credit flows are small, as expected.

The anticipated level of interest rates, the value of the dollar, and the credit flows to financially pressed countries are largely responsible for the projected 3- to 3.5-percent growth of the world economy in 1984. Real interest rates in the United States and other industrialized countries will probably remain high through next year. Relatively low inflation in 1983 and low expected inflation in 1984 mean that the real cost of borrowing is and will probably continue to be higher for businesses, compared with the 1976-1979 recovery. Because producer prices are rising slowly compared with interest rates, a higher sales volume is needed to service the same debt. These high real interest rates are apt to constrain investment growth, although investment rates in Canada and the United States may be fairly high. For overseas countries, real investment averaged 3.2-percent growth during 1976-1979. Projections for 1984 show a possible 2.7-percent increase, including an 11-percent investment growth in Canada. The other countries listed in the table, except for the United Kingdom (U.K.), will likely have investment rates much lower than during the last recovery period. The generally slow investment growth in the industrialized countries means exports of industrial raw materials from many developing countries will experience sluggish demand and slow growth.

If real interest rates in the United States remain higher than those overseas, U.S. financial assets will yield higher rates of return than comparable foreign assets through 1984, and foreign funds will probably flow into U.S. credit markets. The dollar should stay strong next year, unless the expected large U.S. current account deficit brings down its value.

A continuing strong dollar could allow U.S. consumers to purchase more foreign goods, thus aiding foreign recoveries, and could stabilize prices of commodities that

Real interest rates

Country	1976-79	1982	1983 ¹	1984 ²
United States	-.9	4.5	5.4	4.5
Canada	.8	2.8	3.2	3.0
Japan	-.5	4.3	4.5	4.0
France	-.8	2.5	3.3	3.3
Germany	1.1	3.6	2.5	2.5
United Kingdom	-3.5	2.9	5.0	4.0
Total less U.S.	-.6	3.5	3.8	3.5

¹Preliminary. ²Forecast.

Source: IMF, Project Link forecasts, ERS projections.

are priced in dollars, such as petroleum. But at the same time, a strong dollar will weaken the purchasing power of many countries, especially those where foreign exchange is scarce. Without a strong upsurge in export earnings, many developing countries will be forced to hold down or trim further their import bills, partly because an appreciating dollar causes import costs to surge. Furthermore, the repayment of dollar-denominated debts by such countries will be made more difficult, and some may be forced to reschedule their foreign debts.

The expected slow growth of credit flows will further aggravate the financial positions of the developing world. During the first half of 1983, international lending by commercial banks increased only two-thirds as much as in the first half of 1982. Much of this slowdown can be attributed to the rising risks of lending overseas at a time when so many countries are rescheduling debts. Besides these slowdowns in credit flows, international financial institutions are scaling down their development loans and balance-of-payments assistance. The International Monetary Fund (IMF) announced in late September that no new commitments for balance-of-payment financing would be made until it had additional funding. Furthermore, a country can now borrow only 102 percent of its quota in any year for balance-of-payments assistance; the limit had been 150 percent. Given the expected weakness of export earnings over 1984 and beyond, these restraints on credit suggest that financial conditions in developing countries will remain difficult for at least several years.

World economic growth is projected to be at about 2 percent in 1983 and between 3 and 3.5 percent in 1984. In contrast, world growth rates for the 2 years following the 1975 recession were 5.1 and 4.1 percent, respectively. Growth in the United States will likely exceed 3 percent in 1983 and rise to 5 percent next year. The overseas industrialized countries may achieve growth of 0.7 percent in 1983 and between 2 and 2.5 percent in 1984. The developing countries will likely be led by Asia, where growth may reach 5 percent in 1983 and 6 percent in 1984. The Africa and Middle East region will follow with increases around 3 percent in 1983 and 4 to 5 percent in 1984. The overall Latin American economy will almost certainly lag behind all other developing regions. Currently, the Economic Research Service (ERS), USDA, estimates that the overall Latin American economy will decline about 2.5 percent in 1983, and will expand marginally, if at all, in 1984.

Conditions Slowly Improving

Growth in output in most major industrialized countries through the third quarter of 1983 was higher than for the same period last year. Consumer spending and industrial production averaged fairly steady increases, while unemployment and inflation rates declined almost continually. Interest rates declined through May, before increasing slightly to November. Yet, because inflation rates declined faster than interest rates in many countries, real rates of interest through November were generally higher than the 1982 average.

Conditions in the developing countries are also improving, but slowly and unevenly across regions. From the limited data available, export values seem to be increasing over those in late 1982. However, no significant

gains are likely for export earnings until well into 1984. As is typical during the early stages of an economic recovery, demand is lagging economic growth in the industrialized countries. Quarter-to-quarter import values are likely to remain stagnant through early 1984, reflecting a general scarcity of foreign exchange. In most regions, except perhaps the Middle East, import values for the second quarter of 1983 are expected to be below those of a year earlier. Imports have dropped most significantly in Latin America, where the major countries have cut import demand to conserve foreign exchange.

Implications for U.S. Exports

These developments suggest no strong increase in overseas demand for 1984. Consumption, for example, in the major industrialized economies will likely increase less than 2 percent in real terms in 1983 and 1984, whereas the gain in 1976 was nearly 4 percent. Although down from this spring, unemployment is still higher than during the post-War period and will probably remain high through 1984, especially in Europe. Low consumption growth and continuing high unemployment suggest that agricultural demand will not increase much through next year. In many developing countries, most notably Mexico and Brazil, policies to conserve foreign exchange have cut back demand for agricultural imports. For developing countries in general, curtailed import expenditures suggest that food and fiber imports will remain steady, if not decline, barring disruptions to domestic supplies.

The strong dollar will probably continue to dampen overseas demand for U.S. exports through much of 1984. Despite the large U.S. trade deficit so far in 1983 (forecast at \$35 billion in 1983 and perhaps much higher in 1984), the dollar has continued to gain strength steadily since the end of last year. Given forecasts of high real U.S. interest rates continuing to attract foreign capital in 1984, it seems doubtful that the dollar will depreciate substantially. It could, in fact, maintain its strength into next year if the forecasts for interest and inflation rates prove accurate.

Leading the Industrialized Recovery

Canada, the U.K., and Japan lead the recovery overseas. Gains in consumption, production, and exports have driven their expansion, despite negligible increases in government expenditures. These countries, and perhaps Germany, are apt to outpace the other industrialized countries next year in exports, consumption, and investment growth.

Although the economies of both Italy and France are apt to fare worse than the other major economies in Europe in 1984, projected increases in investments and exports could boost Italy's economic growth beyond that of France. France's temporary downturn was hastened by a well-publicized change in policy that devalued the franc, curtailed growth in government expenditures, increased taxes, and lowered the growth in money supply. The effects of these measures will probably be felt through next year; forecasts for governmental expenditures, investment, and consumption for France are lower than for any other major country. The direct effects of economic conditions in France on U.S. agricultural

exports will likely be slight, it is a minor market for U.S. farm products. Yet, France is a major market for exports from other European countries. Economic growth in other European countries derived from export sales to France will be therefore limited by a slowly growing French economy.

Commodity Prices Continue Climbing

Although economic conditions in the developing world are worse than 2 years ago, some conditions have stabilized over the past 12 months. The steady rise in commodity prices since the third quarter of 1982, slightly higher import demand by some industrialized countries, the decline in world interest rates, and stable oil prices have helped stem the decline in growth rates in most developing areas. The projected strengthening of the recovery in the industrialized countries will likely help increase volumes and prices for exports from the developing countries in 1984. Again, because the recovery in the industrialized countries is apt to be very weak, these upcoming increases in exports from the developing countries will probably be correspondingly small.

Slight increases in inflation in the industrialized countries will help constrain increases in developing countries' import costs, but currency depreciations may force import costs up in some areas. Continuing recovery in the industrialized countries is apt to keep interest rates from falling much during 1984 and could force them up slightly. It is likely, therefore, that developing countries that have had difficulties financing their debts in 1982 and 1983 will have similar future difficulties, and that other developing countries may join them. [Art Morey (202) 447-8470]

INPUTS AND FINANCE

Energy

Calm Markets; Cloud on the Horizon

Despite earlier expectations, world economic recovery has proven sluggish, bringing about only marginal increases in energy demand and prices. After falling drastically in the beginning of the year, world oil prices during the remaining three quarters hovered just below the official OPEC market price of \$29 a barrel for light crude. Competition among natural gas and coal exporters for larger shares of the market has also increased during the year, keeping gas and coal prices down. Winter demand for

World crude oil production¹

Country	1982	1983 ²	1984 ²
<i>Million barrels/day</i>			
OPEC	18.7	17.1	17.7
USSR	12.3	12.4	12.4
USA	8.7	8.6	8.6
Mexico	2.7	2.7	2.8
Canada	1.2	1.2	1.2
North Sea ³	2.6	2.8	2.8
China	2.0	2.1	2.1
Other	5.0	5.1	5.2
Total	53.2	52.0	52.8

¹Excluding natural gas liquids. ²Forecast. ³Denmark, Norway, and United Kingdom.

fuel oils may increase, but probably not much, unless winter in the Northern Hemisphere is extremely cold. Oil supplies and prices may also change if the war between Iran and Iraq escalates and their oil production and shipping installations are damaged further. While this is not expected, the danger is there. Some growth in world oil demand and firmer prices are likely in the first half of the year, but energy markets in general will probably remain soft.

The prolonged recession and continually weakening energy demand forced down the world-average crude oil price from \$33.14 a barrel in 1982 to \$28.55 in April 1983. As the world economy seemed to improve during the year, the price inched up through July, but weakened again in the second half when the recovery proved to be limited and largely confined to the United States. In the process, world crude oil production dropped from 53.2 million barrels per day (mb/d) in 1982 to 52 mb/d this year, or to the same level of a decade ago.

Markets for the two other main energy sources are even weaker. The Soviet Union is completing the gas pipeline from Urengoy gasfield in Siberia to Western Europe, and is not expected to have any difficulty meeting its 1984 export commitments to Western Europe. At the same time, Algeria would like to sell more gas to Europe through its pipeline to Italy, and both Algeria and Nigeria are proposing new pipelines with Western Europe via the Gibraltar Straits and Spain. At this stage, Europeans are not interested.

Coal stocks in principal producing countries and Western Europe remain high, and demand is depressed. Nonetheless, Poland lowered prices and undercut some U.S. coal exports, in an intensified campaign to regain the markets it lost in Western Europe during its economic crisis of the last 3 years, which included troubles with Solidarity and the ensuing martial law. Australia has also increased coal exports to Europe, at the expense of the United States.

The outlook for the first half of 1984 seems to be a slightly increased demand and firmer oil prices, unless the war between Iraq and Iran intensifies. The recent delivery to Bagdad of five leased French Super-Etendard warplanes equipped with Exocet missiles, and Iraq's threat to use them against Iranian oil installations unless a peace agreement is negotiated, prompted Iran to warn it will close the Strait of Hormuz, through which 60 percent of world petroleum passes. Such a move would undoubtedly cause petroleum prices to shoot up, though there is enough slack in the world oil production to shift to other sources. However, it seems doubtful that these threats will materialize. At this stage, the vagaries of war are not considered critical to the world energy market. [Francis Urban (202) 447-8106]

Exchange Rates

U.S. Dollar To Remain Strong

The heavily anticipated seasonal decline in the foreign exchange value of the U.S. dollar materialized briefly in late September and early October, but quickly reversed itself. Circumstances responsible for the dollar's renewed strength should remain into early 1984.

Foreign currency units per U.S. dollar

Year	Mark	Yen	Pound	Guilder	C. Dollar
1979	1.833	219.2	.4713	2.006	1.171
1980	1.818	226.4	.4299	1.987	1.169
1981	2.257	220.2	.4983	2.492	1.198
1982	2.427	248.8	.5722	2.669	1.233
Jan.	2.293	224.7	.5300	2.513	1.192
Feb.	2.365	235.1	.5410	2.593	1.214
Mar.	2.379	241.1	.5536	2.617	1.220
Apr.	2.395	243.9	.5638	2.658	1.225
May	2.312	237.0	.5521	2.568	1.233
June	2.427	251.2	.5685	2.680	1.275
July	2.464	255.0	.5760	2.719	1.268
Aug.	2.477	258.7	.5791	2.723	1.244
Sept.	2.504	263.0	.5837	2.740	1.234
Oct.	2.531	271.3	.5890	2.759	1.229
Nov.	2.553	264.0	.6119	2.786	1.226
Dec.	2.419	241.0	.6180	2.671	1.238
1983					
Jan.	2.389	232.5	.6341	2.628	1.228
Feb.	2.428	236.1	.6525	2.676	1.227
Mar.	2.408	238.0	.6706	2.681	1.226
Apr.	2.439	237.6	.6505	2.747	1.232
May	2.465	234.7	.6358	2.772	1.228
June	2.548	240.0	.6456	2.854	1.232
July	2.590	240.4	.6539	2.886	1.233
Aug.	2.673	244.4	.6654	2.990	1.233
Sept.	2.670	242.9	.6669	2.986	1.232
Oct.	2.601	232.3	.6675	2.918	1.232
Nov. ¹	2.668	235.2	.6725	2.982	1.235

¹Preliminary.

High Interest Rates Most Responsible

The U.S. dollar's underlying strength rests on the robust interest rates payable on U.S. currency deposits around the world. Other things equal, the most popular money in foreign exchange circles will be the one earning the most return. At the moment, it is the dollar. When combined with low inflation (among the lowest in the developed world), the real rate of return is tremendously appealing.

Most currency traders believe that U.S. interest rates will remain high, because the U.S. economic recovery shows little evidence of fading, the Federal budget deficit remains large, and recent Federal Reserve policy is slowing the growth rate of money. To those in foreign exchange circles, these portents of tighter credit markets are enough to convince them to either retain or add to their dollar holdings.

World Conflicts Raise Dollar Value

In general, any international crisis tends to raise the dollar's relative worth. U.S. currency is considered stable, easily obtainable, and almost universally acceptable as a means of purchasing power. Signs of potentially large-scale conflict send nervous investors into instruments they believe will remain valuable either during or after a storm. With gold losing its luster as a source of solid liquidity, the U.S. dollar has once again become the favorite of refuge seekers. The ongoing battles in the Middle East have served to underscore the safety in holding dollars. The landing of U.S. Marines on Grenada further enhanced this feeling of security, at least in the minds of foreign exchange market participants, by the resolve of the U.S. Government to act so decisively.

Outlook for 1984

Despite forecasts for the dollar's strength in 1983 to continue into 1984, U.S. exporters can be encouraged by the stability of the foreign exchange value of U.S. currency. Wide day-to-day swings in the exchange rate have been nil. With the current account deficit closely balanced by capital inflows, the dollar should trade in fairly narrow ranges against other major currencies through early 1984. The international value of the dollar in the latter part of 1984 will be influenced by the U.S. election, with midyear values at 220 to 225 yen and 2.5 to 2.55 marks. [David Stallings (202) 447-8054]

Agricultural Commodity Prices

Domestic and export 1983/84 prices for most crops are forecast to rise substantially from the previous year. The hot, dry weather during the summer and the 1983 acreage reduction programs have pushed prices above a year earlier, and for some crops as much as two-thirds. Little or no price support has stemmed from the demand side, with U.S. disappearance in 1983/84 expected down from last year for coarse grains and soybeans, and only marginally higher in the other major commodities.

Wheat Prices Low; Corn and Soybean Up

Wheat is the only crop whose prices are expected to rise very little. The 1983/84 wheat price will be the same as

a year ago: it will again be shaped by record supplies and faltering overseas demand. During the first 5 months of the marketing year, U.S. farm prices averaged \$3.54 a bushel (\$130 a ton), below the \$3.65 a bushel loan rate. Prices are not expected to rise much, averaging \$3.50 to \$3.70 for the year. USDA announced acreage reduction programs for the 1984 crop, including payment-in-kind (PIK), in another effort to strengthen wheat prices and to limit or reduce a further stock buildup.

Corn is just the opposite: supplies are short, stocks are at an 8-year low, and prices are high. Near-record U.S. farm prices were reached this fall, hitting \$3.35 a bushel (\$132 a ton), 2 cents below the August 1974 high. Throughout the last few months, 1983 crop estimates have fallen. This means domestic use and exports will be lower than expected because supplies are not large enough to support higher total disappearance. Farm prices will rise further this season and hit new highs, rationing the short supply, possibly averaging near \$3.60 for the season. One indicator of the tight supplies is the stocks-to-use ratio—equivalent to 7.5 percent this year, the lowest since 1975/76.

Average soybean farm prices will likely set a record for 1983/84. The season is likely to be a repeat of the short-crop scenarios of 1974 and 1980, also drought years. October farm prices averaged \$8.33 a bushel (\$306 a ton), compared with the June 1973 record of \$10. Prices will rise even further before the season is over, averaging between \$8.50 and \$9.50 a bushel (\$310 to \$350 a ton).

International commodity prices

Year	Wheat				Corn		Soybeans	Soyoil		Soymeal 44%	
	U.S. No. 2 ¹	Argentina ²	Canada No. 1 ³	Australia ⁴	U.S. No. 2 yellow ⁵	Argentina ²	U.S. No. 3 yellow ⁵	Decatur	Dutch ⁶	Decatur	Hamburg ⁶
Dollars per ton											
1975	149	147	181	167	122	126	210	559	563	141	162
1976	134	128	149	147	115	114	223	414	438	179	203
1977	105	100	116	113	98	93	271	524	579	212	240
1978	131	126	134	119	105	102	259	565	607	189	226
1979	162	159	171	142	118	117	278	610	662	160	254
1980	176	203	192	175	129	159	272	522	598	217	271
1981	176	190	194	175	135	139	272	464	507	223	269
1982	161	166	165	160	110	109	233	404	447	197	233
Jan.	175	177	181	167	109	120	247	408	455	212	250
Feb.	173	180	172	165	115	114	244	404	454	194	247
Mar.	170	179	160	158	116	110	240	407	452	204	242
Apr.	171	179	162	158	120	112	250	430	483	210	250
May	168	176	168	159	120	112	254	453	510	212	248
June	152	164	157	158	110	108	241	427	472	203	231
July	152	160	163	154	113	119	241	420	463	199	223
Aug.	154	163	160	154	106	116	226	393	430	186	216
Sept.	155	161	160	159	102	105	214	383	427	178	216
Oct.	141	151	159	158	94	93	201	381	416	173	210
Nov.	157	149	163	162	106	98	220	384	403	193	224
Dec.	161	148	170	167	107	103	222	359	399	196	236
1983											
Jan.	166	148	167	167	109	104	225	364	397	199	239
Feb.	165	143	167	166	118	114	227	381	395	194	232
Mar.	167	141	170	169	124	123	228	391	374	197	228
Apr.	168	134	170	171	134	133	242	427	434	206	233
May	163	125	167	165	135	125	238	437	434	203	231
June	151	128	164	163	136	122	233	435	425	194	222
July	148	138	163	157	141	131	251	476	477	211	236
Aug.	154	142	169	159	155	146	305	663	651	259	294
Sept.	157	152	170	159	151	147	333	756	736	257	298
Oct.	154	139	163	155	159	148	320	672	685	251	289

¹Hard winter ordinary protein, f.o.b. Gulf ports. ²F.o.b. Buenos Aires. ³Western red spring 13.5% protein, in store Thunder Bay. ⁴July-June crop year, standard white, f.o.b. selling price. ⁵F.o.b. Gulf ports. ⁶F.o.b. ex-mill.

Foreign Prices Mirror U.S. Prices

The port of Rotterdam is considered a world grain pricing center, where price quotations reflect global supply and demand forces. U.S. wheat, corn, and soybeans are traded and closely follow U.S. and foreign conditions. The tight supplies of U.S. corn and soybeans have run prices up in Rotterdam, while the worldwide oversupply of wheat threatens market prices.

At the U.S. Gulf ports, wheat prices are trading only slightly higher than corn. The last few months, wheat prices have averaged less than \$5 a ton higher than corn, compared with an average during the past few years of over \$40 a ton. In Rotterdam, a similar relationship exists. Wheat price premiums have narrowed considerably, and some classes of wheat even sell for less than corn. Soybean prices have also soared, both at the U.S. export gate and in Rotterdam. In Europe, soybean meal prices have risen faster than corn, prompting use of corn at the expense of meal. Carried one step further, coarse grain prices have risen much faster than wheat prices, with potential increases of wheat feeding at the expense of corn and barley. Some indications of these changes are already evident, especially in the European Community (EC), and bear watching elsewhere to see if importing decisions are influenced by these price changes. [Bradley Karmen (202) 447-8879]

U.S. AGRICULTURE TRADE

Farm Export Value To Rebound

U.S. agricultural exports fell 11 percent in FY 83 to \$34.8 billion. This marks the second consecutive year that the total value of U.S. farm exports has fallen since its FY 81 peak of \$43.8 billion, and emphasizes the increased dependence of U.S. agriculture on world markets. Decisions on livestock feeding rates and rations in Europe and Japan are becoming almost as important to U.S. grain and oilseed farmers as decisions on feeding made in the Corn Belt. Approximately one-fifth of U.S.

agricultural production (on the basis of cash receipts) was exported in FY 83, compared with 12 percent a decade ago.

The volume of U.S. exports fell 8 percent, to 145 million tons, in the year just ended, while average export prices were moderately lower. Competition from other exporters intensified in 1983, with a market-share loss in wheat, rice, cotton, soybeans, and soybean meal.

The outlook for FY 84 calls for significant export price increases for most commodities, including corn, sorghum, soybeans, and soybean products. Therefore, even with volume projected 4 to 5 million tons lower, the total value of U.S. farm exports is expected to climb 12 percent this year, back to FY 82's \$39 billion.

Grain Shipments May Rise

Despite special wheat flour sales to Egypt and official export credit guarantees, U.S. wheat and flour exports fell 16 percent in FY 1983, to 38.3 million tons. The two largest wheat markets in recent years—China and the Soviet Union—did not make any wheat purchases after January. India became the largest market, taking 3.9 million tons. The year was marked by intense competition from Canada, Argentina, and the EC (predominantly France), each attempting to gain market shares through such measures as credit arrangements, subsidy payments, and long-term agreements. Approximately one-third of all world wheat trade is under some form of long-term agreement.

Prospects for U.S. wheat exports in 1984 appear somewhat brighter, despite expectations of a stronger Australian presence. With wheat export prices forecast to remain near last year's \$163 a ton, and feed grain prices increasing 25 to 30 percent, U.S. exports of feed-quality wheat may expand. Wheat sales to the Soviet Union and China are both projected to expand. Based on these and other factors, U.S. exports of wheat and flour could exceed 38 million tons again this year.

U.S. agricultural export volume¹

Commodity	1981	1982	1983	1984 ²
<i>Million tons</i>				
Wheat	42.2	44.6	36.7	37.5
Wheat flour	.9	.7	1.6	1.1
Feed grains	69.0	57.9	53.5	55.3
Rice	3.2	2.9	2.3	2.2
Feeds and fodders	5.8	6.0	7.0	6.7
Soybeans	20.0	25.5	24.5	19.6
Soybean meal	6.1	6.3	6.4	5.1
Other oilcake and meal	.4	.3	.2	.2
Soybean oil	.7	.9	.9	.6
Other vegetable oils	.9	.7	.7	.7
Sunflowerseed	1.4	1.5	1.4	1.0
Cotton, including linters	1.3	1.6	1.2	1.2
Tobacco	.3	.3	.2	.2
Fruits, vegetables, & nuts	4.2	3.9	3.4	3.3
Beef, pork, & variety meats	.4	.4	.4	.4
Poultry meat	.4	.3	.3	.3
Animal fats	1.5	1.5	1.4	1.4
Other	3.6	2.6	2.7	3.2
Total	162.3	157.9	144.8	140.0

¹Fiscal year, actual export tonnages. Excludes animal numbers and some commodities reported in cases, pieces, dozens, liquid measures, etc. ²Forecast.

U.S. agricultural export values¹

Commodity	1981	1982	1983	1984 ²
<i>Billion dollars</i>				
Grains and preparations	20.3	16.1	13.9	16.3
Wheat	7.7	7.4	5.9	6.1
Wheat flour	.3	.2	.3	.3
Rice	1.5	1.1	.9	.9
Feed grains	10.4	7.0	6.5	8.6
Oilseeds and products	9.3	9.5	8.7	9.9
Soybean cake and meal	1.6	1.5	1.4	1.4
Soybeans	6.0	6.5	5.9	6.9
Soybean oil	.5	.5	.5	.5
Animals and products	4.1	4.1	3.7	4.2
Hides and skins	1.0	1.0	1.0	1.0
Red meats, incl. offals	1.0	1.0	.9	1.0
Animal fats	.8	.7	.6	.7
Poultry products	.8	.6	.4	.5
Dairy products	.2	.4	.4	.5
Fruits, vegetables, & nuts	3.6	3.4	2.9	3.1
Cotton, incl. linters	2.2	2.2	1.7	1.8
Tobacco	1.3	1.5	1.5	1.4
Feeds and fodders	1.1	1.0	1.2	1.1
Other	1.9	1.3	1.2	1.2
Total	43.8	39.1	34.8	39.0

¹Fiscal year. ²Forecast.

U.S. feed grain exports in FY 83 fell another 8 percent, to 53.5 million tons. This reduces the U.S. share of the world coarse grain market to 60 percent, from 72 percent in FY 80. World coarse grain trade has fallen 18 percent since its peak of 108 million tons in FY 81, as domestic grain production and nongrain feeds replace imported U.S. corn, sorghum, and barley in several markets. Feed grain exports—primarily corn—to Western Europe fell 42 percent, to 10.1 million tons. The soybean meal/corn price relationship in the EC has steadily favored soymeal use during the past 3 years. Surplus wheat production in the EC, and relatively low prices for nongrain feeds such as corn gluten, have reduced feed grain imports. Eastern Europe has cut livestock and poultry numbers in the past 1 to 2 years for lack of feed—primarily imported corn from the United States. U.S. shipments of corn to Eastern Europe in FY 83, at 1.5 million tons, were only 20 percent of FY 81's peak 7.5 million tons. The Soviet Union was the other major corn market that significantly cut U.S. purchases in 1983, barely exceeding the minimum purchase of 3 million tons under the old long-term agreement.

While Europe and the USSR shifted away from U.S. corn, East Asia and Mexico took advantage of low prices, and in the case of Mexico, liberal credit extension. Five markets—Japan, Mexico, Korea, Taiwan, and China—purchased a combined 10 million tons of additional feed grains in FY 83.

The FY 84 outlook calls for a mild reversal of the present downtrend. Total feed grain exports are expected to increase 3 percent, to 55.3 million tons, despite every indication of hefty price increases.

Exporters of soybeans and products enjoyed another successful marketing year in 1983. All told, 24.5 million tons of soybeans, 6.4 million of soybean meal, and 918,000 of soybean oil were exported, with total earnings of \$7.8 billion, 8 percent below a year ago.

The U.S. oilseed sector is expected to undergo substantial adjustments in FY 84. Lacking the carryover capacity of the grain sector, oilseeds had little cushion to absorb the shortfalls in the 1983/84 crop. Therefore, after 2 years of low prices, oilseed prices have jumped sharply in recent months. Soybean exports may drop to 19.6 million tons; soybean meal, to 5.1 million; and soyoil, to 612,000 tons, the lowest combined levels since 1978.

Cotton exports fell 24 percent, to 1.13 million tons in FY 83. Prices, however, increased steadily in 1982 after bottoming out in the summer. Japan was the largest U.S. cotton market, taking 297,000 tons, followed by Korea and Taiwan at 277,000 and 77,000 tons, respectively. Cotton exports in FY 84 may moderately exceed the previous year's level, despite sharply reduced supplies in the United States. [Steve Milmo (202) 447-8054]

WORLD COMMODITY DEVELOPMENTS

Food Grains

Wheat Production Up

The scenario is the same as the previous 2 years: global wheat production will likely exceed consumption, trade is forecast at 100 million tons, and world export prices will

Wheat: World production, consumption, and net exports¹

Country	1981/82			1982/83			1983/84 ²		
	Prod.	Cons.	Net exports	Prod.	Cons.	Net exports	Prod.	Cons.	Net exports
<i>Million tons</i>									
Major exporters									
United States	76.2	23.3	48.7	76.4	25.3	39.7	65.5	29.4	38.0
Canada	24.8	5.2	17.6	26.8	5.1	21.2	26.6	5.1	21.5
Australia	16.4	3.9	11.0	8.9	4.1	8.1	19.0	3.0	11.5
EC-10	54.4	44.6	12.2	59.6	44.2	10.7	58.2	49.3	11.7
Argentina	8.3	4.3	4.3	14.5	4.4	7.4	12.5	4.4	9.0
Turkey	13.2	13.4	-.4	13.8	13.9	.5	13.0	14.0	.3
Major importers									
USSR	80.0	99.0	-19.0	86.0	105.7	-19.7	80.0	93.5	-17.5
China	59.6	72.8	-13.2	68.4	81.4	-13.0	78.0	90.0	-12.0
Eastern Europe	30.5	35.4	-4.4	34.7	36.5	-1.7	33.8	35.4	-2.1
Other W. Europe	6.5	8.7	-1.3	8.5	9.2	-.3	8.6	9.5	-.7
Brazil	2.2	6.3	-4.5	1.8	6.3	-3.6	1.9	5.9	-4.0
Mexico	3.1	4.0	-.9	4.2	4.2	-.1	3.2	4.6	-1.4
Other Latin Am.	1.5	8.1	-6.5	1.3	7.6	-6.5	1.4	7.8	-6.4
Japan	.6	6.1	-5.4	.7	6.1	-5.6	.7	6.1	-5.4
India	36.3	36.3	-.2	37.8	38.1	-.3	42.5	43.3	-.3
South Korea	.1	2.0	-1.9	.1	2.0	-1.9	.1	2.0	-2.0
Indonesia	0	1.4	-1.5	0	1.5	-1.5	0	1.6	-1.6
Other Asia	16.7	22.2	-6.0	16.9	23.2	-6.3	17.9	24.0	-6.3
Egypt	1.9	7.7	-5.8	2.0	7.9	-6.0	2.0	8.0	-5.9
Morocco	.9	3.2	-2.2	2.2	3.5	-1.3	1.8	3.7	-2.3
Other N. Africa/ Mideast	12.4	22.2	-9.6	11.3	22.8	-11.0	11.5	23.6	-12.6
Other Africa	3.3	6.7	-4.0	3.3	6.8	-3.6	2.8	6.9	-3.9
Residual	.3	5.2	-4.9	.5	8.2	-2.6	.4	6.2	-4.9
World	449.2	442.0		479.7	468.0		481.4	477.3	

¹Trade on July-June years. ²Forecast.

remain substantially under \$200 a ton. This year's global wheat economy will reflect the tight supplies of coarse grain. Relatively low wheat prices and high corn prices have narrowed the spread between them and resulted in some shifts in consumption and trade patterns.

Foreign wheat production for 1983/84 is forecast at 420 million tons, 16 million higher than last year and about 10 million above a 23-year trend. Record output is forecast in China, India, Pakistan, Bangladesh, and Australia, while the Soviet crop will again be disappointing. Crops in Canada, Argentina, and the EC are second only to their record output last year. These three countries and Australia are the major U.S. trade competitors; combined, their supplies will likely increase more than 7 million tons over last year's record. U.S. supplies are about the same as last year, with higher opening stocks offsetting lower production.

The expected increase in foreign production will be distributed between increased consumption and larger ending stocks. Most of the stock adjustment will take place in the USSR, where depleted wheat stocks are expected to be replenished with imports. The USSR is anticipated to take advantage of a large coarse grain output for livestock feed use, and to divert some wheat into storage bins.

Foreign stock adjustments outside the USSR net to zero, but some shifts are noteworthy. Drought lowered stocks last year in the Southern Hemisphere exporters, South Africa and Australia. Improved production should help restore stocks to normal levels. India will also build stocks, because of three consecutive record wheat harvests and an improved rice crop. Stocks in Argentina will decline as production drops from last season's record.

Wheat Trade Volume Unchanged

Usually, yearly variations in consumption patterns can be traced to changes in domestic production and trade. But this year is different. To correctly assess global wheat, it is necessary to consider the tight supplies of coarse grains. For example, in the EC, wheat is competitively priced with barley and some nongrain feed ingredients; subsequently, wheat feeding is expected to increase by 5 million tons, drawing stocks down. In Spain, a similar short feed grain supply prompted the Government to authorize 750,000 tons of wheat imports, because of increased wheat feeding. Similar changes in other countries are anticipated.

Other than in Spain, it is not readily evident that wheat trade will increase because of tight supplies of coarse grains. World trade is forecast at 100 million tons, about the same as the previous 2 years. Record wheat production in China and India will reduce their imports, and large coarse grain production in the USSR will lower its wheat imports from last year. Combined imports by these countries will fall nearly 5 million tons. Smaller crops and increased demand in Western Europe, Morocco, Tunisia, Iraq, Brazil, and Mexico will offset the reduction.

All major wheat exporters have abundant supplies, and this combined with stagnant trade has resulted in another year of aggressive competition. With imports by the

USSR and the People's Republic of China (PRC), the two largest wheat importers, expected to decline, the exporters will be scurrying to find other outlets.

Rice Output Up, Trade Depressed

World rice output is expected to jump 2 percent in 1983/84, but to remain below consumption. Ending stocks will continue to fall this year, but global trade will likely remain depressed, at around 12 million tons. Production in the United States fell sharply, but foreign output rose 7 million tons. A 20-percent rise in India and output gains in Indonesia, Bangladesh, and Brazil will limit import needs, while a larger Thai crop will spur export competition. China is likely to have an excellent crop, but below last year's record. Moderate output declines are forecast for Burma, Pakistan, and South Korea.

Although sales this marketing year may be slightly higher than last year, most of the gain will be in 1983. Sales in calendar 1984 will likely slacken. Indonesia is expected to be the largest single market in either year, although needs in 1984 are expected to be only 1 million tons, sharply lower than earlier expectations. Nigeria and Iran are likely to be the next largest importers. U.S. sales to these three markets will be depressed, because we are likely to sell only P.L. 480 rice to Indonesia and none to Iran; moreover, Thai price competition will erode our share of the Nigerian market. Total Thai shipments are expected to remain high in 1983 and 1984. They will sell over 50 percent more rice than the United States, compared with 1981 when sales were equal. U.S. shipments are forecast at 2.2 million tons in 1983/84, under 20 percent of the global total. Last year, over half the U.S. sales were to the Middle East and Africa. With prices expected to be up in 1983/84, competitive pressure will make U.S. credit offerings important in maintaining sales. [Bradley Karmen (202) 447-8857 and Eileen Manfredi (202) 447-8912]

Coarse Grains

World Coarse Grain Outlook

World production of coarse grains in 1983/84 is forecast to decline 13 percent from the previous year's record. A sharply reduced U.S. coarse grain crop accounts for this reduction, since foreign outturn is forecast to increase almost 3.5 percent. Because of relatively large carryin stocks and strengthening demand, global consumption of feed grains is expected to increase. However, foreign ending stocks are likely to be reduced as their imports decline. U.S. stocks will likely fall to an 8-year low. U.S. exports, in light of production shortfalls in some competitor nations in the Southern Hemisphere and elsewhere, are forecast to increase from 1982/83, but to fall short of the previous year. High corn prices, however, will continue to suppress total world demand.

Production Declines Significantly

World production of coarse grains in 1983/84 is forecast to fall over 100 million tons, to only 681 million tons—the lowest since 1975. Sharp U.S. production losses more than account for the decrease, since this year's foreign production is expected to improve to over 545 million

Rice: World production, consumption, and net exports¹

Country	1981/82			1982/83			1983/84 ²		
	Prod.	Cons.	Net exports	Prod.	Cons.	Net exports	Prod.	Cons.	Net exports
<i>Million tons</i>									
Major exporters									
United States	6.0	2.2	2.5	5.0	2.1	2.3	3.3	2.3	2.2
Thailand	11.7	7.9	3.6	11.1	8.0	3.7	11.7	8.2	3.4
Pakistan	3.4	2.2	.8	3.4	2.3	1.3	3.5	2.3	1.2
China	100.8	100.5	.2	112.9	112.4	.5	109.2	108.7	.5
India	53.6	54.4	.6	45.8	47.8	-.2	55.0	53.1	.2
Burma	8.5	7.8	.7	9.0	8.1	.9	8.8	7.9	.9
Japan	9.3	10.6	.3	9.3	10.7	.4	9.5	9.8	.2
Italy	.6	.3	.3	.6	.3	.4	.7	.3	.4
Australia	.6	.1	.5	.4	.1	.3	.5	.1	.4
Major importers									
Indonesia	22.3	22.3	-.3	23.2	24.0	-1.3	23.5	25.0	-1.0
South Korea	5.1	5.5	-.2	5.2	5.5	-.2	5.1	5.6	-.1
Bangladesh	13.6	14.1	-.4	14.4	14.7	-.1	14.8	15.0	-.1
Vietnam	8.2	8.3	-.1	9.0	8.9	-.1	8.8	8.7	+.2
Other Asia	16.6	17.0	-.7	16.4	17.1	-.2	16.1	16.8	-.4
USSR	1.6	2.3	-.7	1.6	1.9	-.4	1.8	2.1	-.4
Brazil	6.2	6.4	-.1	5.3	6.3	-.3	6.5	6.5	-.4
Other Latin Am.	4.8	4.7	+.2	4.8	4.8	0	4.2	4.7	-.1
Iran	.9	1.4	-.5	.9	1.5	-.7	.9	1.5	-.7
Other N. Africa/ Mideast	1.9	3.4	-1.6	2.0	1.9	-1.6	2.0	3.7	-1.7
Malagasy	1.3	1.6	-.4	1.3	1.5	-.3	1.5	1.7	-.2
Nigeria	.8	1.4	-.6	.9	1.5	-.6	.9	1.6	-.7
Other Africa	1.5	3.2	-1.9	1.5	3.3	-1.8	1.6	3.4	-1.9
Residual	.5	3.4	-2.2	.5	4.5	-2.0	.4	2.5	-1.9
World	279.8	281.0		284.5	289.2		290.3	291.5	

¹Trade on calendar years; calendar 1982 corresponds to 1981/82. ²Forecast.

Coarse grains: World production, consumption, and net exports¹

Country	1981/82			1982/83			1983/84 ²		
	Prod.	Cons.	Net exports	Prod.	Cons.	Net exports	Prod.	Cons.	Net exports
<i>Million tons</i>									
Major exporters									
United States	249.0	154.2	58.3	255.5	174.7	53.6	136.0	156.5	55.0
Canada	26.0	18.3	6.3	26.7	19.4	6.3	20.8	18.5	5.5
Australia	6.6	4.0	3.3	3.8	3.4	.8	8.6	3.3	4.0
Argentina	18.4	6.6	10.2	17.7	6.9	11.7	17.6	6.9	10.9
Thailand	4.7	1.1	3.1	3.8	1.3	2.5	4.3	1.3	3.1
South Africa	8.8	8.2	4.6	4.3	7.7	1.5	10.2	7.9	-1.4
Major importers									
USSR	72.0	97.5	-20.4	86.0	98.3	-11.0	108.0	116.0	-10.0
China	80.8	82.1	-1.4	82.7	85.4	-2.6	85.0	86.5	-1.5
Eastern Europe	62.0	66.7	-4.0	71.7	72.1	-.6	64.5	66.6	-2.2
EC-10	67.8	73.9	-5.9	71.9	73.3	-2.2	63.5	70.7	-5.4
Other W. Europe	20.0	31.9	-11.6	21.9	32.7	-8.8	21.4	31.6	-9.1
Brazil	23.4	22.7	-.6	19.9	21.4	+.1	23.9	23.3	+.5
Mexico	16.9	21.0	-1.6	10.2	19.0	-7.5	13.4	19.2	-6.1
Venezuela	.8	2.7	-1.7	.8	2.1	-1.2	.6	2.2	-1.4
Other Latin Am.	7.7	10.1	-2.2	7.4	10.2	-2.3	7.6	10.3	-2.6
Japan	.4	19.1	-18.1	.4	18.7	-18.0	.4	18.8	-18.5
Taiwan	.1	3.9	-3.9	.1	4.5	-4.1	.1	4.2	-4.2
South Korea	.9	4.1	-3.1	.9	5.1	-4.1	.8	5.3	-4.1
Other Asia	44.8	46.6	-1.9	40.2	42.9	-2.4	43.1	45.5	-2.3
Egypt	4.0	5.0	-1.4	4.1	5.2	-1.5	4.1	5.7	-1.8
Iran	1.2	2.1	-.9	1.2	2.4	-1.3	1.2	2.3	-1.2
Israel	—	1.1	-1.2	—	1.2	-1.1	—	1.3	-1.2
Other N. Africa/ Mideast	17.2	21.2	-4.1	19.1	22.8	-3.2	15.2	21.6	-4.6
Other Africa	31.3	32.2	-1.6	29.3	31.4	-1.0	30.6	32.3	-1.6
Residual	.6	-3.3	-.2	.6	-5.3	-3.6	.6	2.1	+.2
World	765.4	733.0		780.2	756.8		681.5	759.9	

— = negligible.

¹Production and consumption on marketing year basis, trade on July-June year. ²Forecast.

tons, up 21 million from the previous year. Of this record foreign coarse grain production, outturn in the combined major importing nations is forecast to increase by only about 1 million tons—balancing losses in the EC and Eastern Europe with one of the largest Soviet crops on record. Production among the major coarse grain exporters is forecast to increase about 5 million tons, 9 percent over 1982/83. Prospects vary among countries, with a substantial decline in Canada being more than offset by increases in South Africa and Australia.

Use Rises as Stocks Decrease

Despite a 5-percent decrease in imports, 1983/84 foreign coarse grain supplies (including beginning stocks) should be up about 8 million tons. During the year, stocks are expected to drop about 4 million tons as consumption exceeds 600 million for the first time. This includes an estimated increase in feed use of almost 10 million tons, to 328 million, with most of the increase expected in the Soviet Union. Aside from the USSR, feed use in the importing countries may decrease as much as 7 million tons. About half the reduction will take place in Eastern Europe, where grain crop prospects in 1983/84 are down somewhat, and animal inventories have fallen. Consumption patterns among the major coarse grain exporting countries are similar to last year, except for the sharp decline in the United States. As a result of increased world consumption and decreased production, world coarse grain ending stocks in 1983/84 should fall to only 60 million tons, compared with over 138 in 1982/83.

Imports Fall Below 100 Million Tons

World coarse grain imports are estimated at under 97 million tons in 1983/84, the lowest in 5 years. Two key factors are affecting world trade prospects: production prospects in both the major importing and major exporting countries, and prices of wheat and coarse grains. Both are leading to reduced foreign trade estimates.

Total coarse grain supplies in the United States and in the other combined major exporters are down substantially this year. Prices have risen dramatically—U.S. corn prices may average one-third higher in 1983/84. Higher priced feedstuffs in world markets have already led to reductions in previously forecast meat production and animal inventories, and will serve to stifle import demand in price-sensitive markets.

The relationship of world wheat and corn prices is also having a negative impact on coarse grain trade. In 1982/83 (October-September), corn prices steadily rose and averaged about \$140 per ton—well below wheat prices. However, as the year progressed, the gap between wheat and corn prices narrowed, enhancing prospects for wheat sales. Export prices for wheat and corn are expected to be about the same this year. *[Jim Cole (202) 447-8857]*

Oilseeds

World 1983/84 oilseed production is forecast at 162.3 million tons, a sharp decline; soybeans may fall 18 percent. Although Brazil and Argentina are likely to expand soy-

bean output, the anticipated gains will not exceed the expected 30-percent decline in the U.S. crop. Livestock producers worldwide will likely react to higher commodity prices, which may reduce soybean meal consumption by 5 percent.

Production May Fall 10 Percent

World oilseed production for 1983/84 is forecast to fall roughly 10 percent, primarily because of the expected decline in the U.S. soybean crop. Brazil and Argentina are expected to produce 20 million tons of soybeans, a 10-percent gain over 1982/83. Foreign oilseed production will gain almost 4 percent, but the United States may produce 31 percent less. The anticipated record Indian oilseed output, largely peanuts, will satisfy more domestic vegetable oil needs and will reduce India's import requirements.

High Prices Limit Use and Trade

The sharp decline in soybean output has heightened U.S. and world prices. The high prices will limit soybean meal consumption, particularly in the EC. Near-record prices for soybean meal are 36 percent above those for corn. Generally, EC use of soybean meal falls when meal prices exceed corn prices by 10 percent.

The EC has plentiful alternative sources of protein. Record-large stocks of wheat and near-record nonfat dry milk stocks can be used as protein sources in feed rations. Higher aflatoxin levels in peanut meal are now acceptable in the EC, and more peanut meal may be imported for use in 1983/84 rations. However, supplies of other feedstuffs, such as barley and fodder, are tight. After accounting for these factors, as well as for the effect of the strong dollar, U.S. soybean exports to the EC are expected to fall more than 1 million tons in 1983/84, following a similar decline last year.

The Soviet Union is expected to import larger quantities of protein meal. The expanding livestock sector and increased protein in feed rations will likely lead to a 5-percent increase in soybean meal use in 1983/84. Although the rate of increase is slower than a year ago, significant gains will be achieved. Part of the slowdown is due to the large forage crops in the USSR. Brazil and the EC will supply the bulk of the projected 2.8 million tons of soybean meal imports. Soviet purchases of U.S. soybeans are already at 400,000 tons for FY 84; thus, it is likely they will fulfill the 500,000-ton soybean and/or meal allowance that is part of the U.S.-USSR grain trade agreement.

The quantity of oilseeds and products that credit-dependent markets are likely to purchase is uncertain. At current high prices, the allocations for U.S. credit guarantees may actually buy less. In Eastern Europe, protein meal use may fall 16 percent, with a large decline expected in Poland, where credit problems shrank purchases drastically last year. Last year, Portugal purchased some of its soybean imports under GSM-102 financing, but has not been given any GSM-102 for oilseeds in FY 84.

In 1983/84, Mexican soybean imports will drop sharply, principally because of high prices. Similarly, Mexican

Soybeans and products: World production, consumption, and net exports¹

Country	1981/82			1982/83			1983/84 ²		
	Prod.	Cons.	Net exports	Prod.	Cons.	Net exports	Prod.	Cons.	Net exports
<i>Million tons</i>									
Soybeans									
Major exporters									
U.S.	54.44	28.03	25.29	60.68	30.16	24.63	41.82	26.54	19.60
Brazil	12.84	12.45	-.50	14.75	12.90	1.40	15.30	13.40	1.10
Argentina	4.15	1.55	2.00	3.57	2.15	1.10	4.70	2.50	2.50
Major importers									
EC-10	.02	11.68	-12.06	.02	10.28	-10.60	.05	9.46	-9.67
Japan	.18	3.59	-4.34	.22	3.90	-4.70	.22	3.85	-4.60
Spain	.01	3.20	-3.20	.01	3.05	-3.15	.01	2.60	-2.50
Eastern Europe	.52	1.04	-.60	.72	1.37	-.73	.68	1.27	-.66
China	9.33	4.04	-.50	9.03	3.60	+.28	9.30	3.71	+.30
Mexico	.68	1.50	-.57	.55	1.45	-1.03	.65	1.22	-.51
Taiwan	.01	1.00	-1.15	.01	1.15	-1.35	.01	1.07	-1.25
USSR	.45	1.71	-1.51	.49	1.57	-1.30	.50	1.57	-1.30
Residual	3.66	4.89	-2.86	3.91	5.32	-4.55	4.27	5.43	-3.01
World	86.29	74.68		93.96	76.90		77.51	72.62	
Soybean meal									
Major exporters									
U.S.	22.36	16.09	6.27	24.24	17.52	6.44	20.97	16.10	5.13
Brazil	9.64	1.97	8.13	9.99	1.80	8.50	10.32	1.80	8.50
Argentina	1.18	.34	.81	1.66	.37	1.30	1.93	.33	1.60
Major importers									
EC-10	9.40	16.41	-7.01	8.21	14.89	-6.65	7.50	13.99	-6.49
Eastern Europe	.82	4.10	-3.30	1.09	3.92	-2.98	1.00	3.51	-2.50
USSR	1.30	3.00	-1.70	1.19	3.79	-2.60	1.20	3.99	-2.80
Portugal	.41	.45	-.03	.51	.43	0	.40	.35	0
Japan	2.80	2.93	-.09	3.04	3.20	-.17	3.00	3.13	-.15
Mexico	1.19	1.37	-.04	1.15	1.18	-.18	.97	1.10	-.03
Residual	10.22	13.36	-3.04	10.08	13.22	-3.66	9.86	13.13	-3.26
World	59.32	60.02		61.16	60.32		57.15	57.43	
Soybean oil									
Major exporters									
U.S.	4.98	4.32	.94	5.46	4.47	.92	4.82	4.42	.61
Brazil	2.33	1.37	.91	2.41	1.45	1.08	2.51	1.50	1.00
Argentina	.26	.10	.15	.36	.09	.27	.41	.08	.33
EC-10	2.02	1.50	.96	1.80	1.37	.91	1.66	1.29	.81
Spain	.54	.10	.48	.52	.09	.43	.44	.09	.36
Major importers									
India	.07	.45	-.38	.07	.53	-.45	.07	.43	-.28
Pakistan	0	.31	-.31	0	.25	-.24	0	.19	-.18
Eastern Europe	.18	.38	-.18	.24	.49	-.27	.22	.43	-.20
Iran	.01	.36	-.35	.01	.41	-.40	.01	.43	-.41
Morocco	.01	.20	-.19	0	.11	-.11	0	.13	-.13
Residual	2.60	3.87	-2.03	2.69	4.09	-2.04	2.64	3.97	-1.91
World	13.00	12.96		13.56	13.35		12.78	12.96	

¹For soybeans, consumption refers to crush. ²Forecast.

imports of U.S. sunflowerseed are also likely to decline by as much as 35 percent, because of reduced U.S. output and high prices. On the other hand, Mexico's continued strong demand for vegetable oil may provide some support for this import category. Several markets, especially Portugal, Mexico, and Poland, may be forced to curtail soybean meal use because of smaller guaranteed U.S. credit in 1983/84.

Oil Trade Hinges on Prices

Global purchases of vegetable oil will depend on U.S. and world prices, which have skyrocketed this year. Soybean oil prices jumped as high as \$92 a ton above palm oil, when previously, in September 1982, it sold for only \$3 more a ton. The current differential has narrowed in recent weeks, because 1983 palm oil supplies were down.

Even the United States is likely to increase imports of palm oil in FY 84 because of its relatively favorable price, and because it can be imported duty free. Furthermore, drought-reduced coconut oil supplies in the Philippines caused world prices for this oil to exceed \$1,000 a ton in August. The price shocks have subsided somewhat, but tight soybean and palm oil supplies could remain through next summer, when more Brazilian soybean and Malaysian palm oil will be available.

India's vegetable oil imports are expected to drop more than one-fourth to about 950,000 tons, because the country's record peanut harvest will increase domestic oil supplies. Also, a new regulation has raised the melting point of vanaspati, an Indian cooking oil, and will likely enable a larger volume of palm oil to be used in vanaspati production at the expense of soybean oil. Thus, while

India's total vegetable oil import requirements will fall, palm oil imports will probably increase if they remain relatively less expensive.

U.S. Soybean Exports To Slide

U.S. soybean exports are forecast to drop nearly 5 million tons, to 19.6 million in 1983/84, but U.S. exports of soybean meal could fall 20 percent, to 5.1 million tons. World soybean meal exports may decline 5 percent because U.S. and EC shipments will drop more than expected increases in South American shipments. Brazil depends on exports to reduce its serious financial troubles, and is likely to move as much soybean products as possible after the 1984 harvest. Preliminary data for Brazil's 1982/83 exports show rapidly moving exports. The suspension of export registrations by CACEX, Brazil's export-import bank, will be in effect until March, but a large amount of soy products has already been registered for exports. Brazil's 1982/83 soybean exports are estimated at 1.6 million tons, and soybean meal exports, up 5 percent to 8.5 million tons. Brazil now exports almost two-fifths of world soybean meal trade.

U.S. exports of soybean oil will decline sharply, by almost one-third, from 1982/83's 918 million tons. U.S. credit for P.L. 480 shipments will likely be near last year's allocations. In 1982/83, almost one-third of U.S. soybean oil exports were financed by the GSM-102 program, and in 1983/84 the program's financing will likely shape the outcome of U.S. soybean oil exports. Many countries will reduce imports of U.S. soybean oil, because last year's credit allotment buys less at today's higher prices. Also competition from other major exporters is expected to be strong. The U.S. share of the world market for soybean oil could decline to 19 percent, compared with 24 percent last year, and 38 percent in 1979/80. [Jan Lipson (202) 447-8855]

Meat

Although global output of beef and veal is expected to decline further in 1984 and pork production to grow at a slower rate than this year, some pickup in poultry meat could keep total meat production marginally higher next year.

Poor economic conditions in many countries have led to weak demand for livestock products. On the supply side, livestock cycles, calamitous weather, and foreign exchange considerations have posed problems for some countries in the past year. Economic recovery has started in the United States and improved economic growth is expected in most countries in 1984. Such a recovery should stimulate demand for meat and livestock products and improve producer prices. However, rising feed costs will outpace producer prices and restrain meat output. This in turn could limit U.S. exports of feedstuffs.

Beef Output Down as Inventories Gain

Total cattle numbers are increasing in 1983 after dropping during the previous 2 years. Gains in the Soviet Union, India, and Argentina are offsetting declines in Oceania, Mexico, Canada, and South Africa.

Beef and veal production

Country	1981	1982	1983 ¹	1984 ²
1,000 tons				
United States	10,353	10,425	10,706	10,303
Canada	1,015	1,029	1,050	1,025
Mexico	1,129	1,200	975	1,060
Argentina	2,929	2,579	2,320	2,400
Brazil	2,250	2,400	2,500	2,500
France	1,834	1,698	1,769	1,815
Germany, Fed. Rep.	1,532	1,471	1,460	1,500
Italy	1,111	1,107	1,140	1,130
Total EC-10	6,930	6,600	6,781	6,822
Eastern Europe	2,381	2,481	2,314	2,330
USSR	6,600	6,700	6,900	7,100
Australia	1,420	1,680	1,386	1,311
Other	5,305	5,344	5,408	5,184
Total	40,312	40,438	40,340	40,035

¹Preliminary. ²Forecast.

As inventories drop in some countries and herd rebuilding withholds animals from slaughter in others, production of beef and veal next year is expected to fall about 1 percent. The greatest declines in output are expected in Oceania and the United States. Some increase in output is forecast for many countries, with the USSR and Mexico showing the most gain. In 1983, sharp declines in production in Australia, Argentina, and Mexico were moderated by gains in the USSR, the EC, the United States, and Brazil, and kept total output only marginally below 1982.

Trade may show some increase next year, primarily because of larger Brazilian and EC exports. Exports during 1983 will decline marginally as increases from New Zealand, Brazil, and the EC fail to counter sharp drops from Australia and Argentina.

Unfavorable weather and the poor economic climate have hurt output in several regions. Drought in Australia, which did not break until early this year, further reduced already low cattle inventories. More profitable alternatives in sheep and wheat also enticed some producers to leave cattle raising or delay rebuilding herds. Production is expected to drop 11 percent in 1984, after falling 15 percent this year, and limit available supplies for export. Australia, the largest exporter of beef and veal, is expected to ship substantially less meat in 1983 and 1984.

After several years of little or no growth in inventories or output in the Soviet Union, a dramatic improvement in feed and forage supplies has spurred impressive gains in the last 2 years. With good weather, these gains are expected to continue during 1984.

Argentine cattle slaughter has declined in 1983 as producers responded to higher prices and began to rebuild herds. Price rises in 1983 were restrained by lower demand, for both domestic and export. Reduced consumer purchasing power kept internal demand down, while higher prices and export taxes reduced Argentine competitiveness in a soft world market. Brazil and the EC have become significant competitors with Argentina, particularly in the North Africa and Middle East region. Also other traditional major markets for Argentine beef have been taking less—the USSR because of increased domestic production; and the EC because of the U.K. con-

flict, which accelerated the trend away from Argentine beef.

Within the last several years, Brazil has become a major exporter of beef and veal, with the Government pressuring for export expansion. Increases in slaughter prices brought greater output in 1983. The outlook for next year calls for relatively flat production, declining consumption, and increasing exports. Poor economic conditions will restrict domestic consumer demand for livestock products as high inflation rates continue to erode disposable income. Brazil's markets for fresh frozen beef are limited because of hoof-and-mouth disease, but they will be strongly competitive with the EC and Argentina for the Middle East market.

Feed Prices May Moderate Pork Output

Hog inventories are expected to expand in 1983, after showing almost no change the year before. At the beginning of 1984, with the United States up by 5 percent, and with continued gains in the Soviet Union and Western Europe, total inventories could rise about 1.6 percent.

After the strong gain in pork production in the major producing regions this year, a more modest expansion is forecast for 1984. There will be major gains in 1983 in the USSR and the United States, as well as in several Asian countries. Western Europe will show increases in 1983 and 1984. However, higher feed prices will likely moderate expansion plans next year. Pork production could begin to fall off in the United States after midyear and be down 2 percent for 1984. The USSR is forecast to continue production increases, and some increase may occur in Eastern Europe if Polish output recovers somewhat.

Pork exports, which are up about 3 percent in 1983, are only expected to grow 1 to 3 percent next year. Some growth occurred in Hungary's 1983 exports to earn much needed foreign exchange. Exports by the EC are forecast to be up next year. Denmark, which had been prevented from sending its fresh pork to Japan (as well as to some other countries) because of hoof-and-mouth disease outbreaks, was able to resume shipments to Japan in September.

Pork production				
Country	1981	1982	1983 ¹	1984 ²
1,000 tons				
United States	7,199	6,454	6,843	6,717
Canada	869	833	855	850
Mexico	1,088	1,200	1,075	1,070
Germany, Fed. Rep.	2,700	2,673	2,700	2,750
France	1,640	1,610	1,610	1,622
Netherlands	1,149	1,165	1,195	1,200
Total EC-10	9,466	9,408	9,518	9,561
Eastern Europe	6,661	6,487	6,365	6,434
USSR	5,204	5,300	5,700	6,000
Japan	1,396	1,427	1,450	1,480
Other	5,056	5,219	5,525	5,578
Total	36,939	36,328	37,331	37,690

¹Preliminary. ²Forecast.

Poultry production				
Country	1981	1982	1983 ¹	1984 ²
1,000 tons				
United States	6,985	7,046	7,240	7,380
Canada	535	527	529	535
Mexico	533	564	506	516
Brazil	1,491	1,591	1,580	1,590
France	1,236	1,330	1,251	1,346
Total EC-10	4,145	4,368	4,233	4,318
Eastern Europe	1,959	1,723	1,778	1,811
USSR	2,300	2,400	2,600	2,800
Japan	1,134	1,209	1,279	1,307
Other	2,704	2,767	2,778	2,794
Total	21,786	22,195	22,523	23,051

¹Preliminary. ²Forecast.

Some Gain Possible for Poultry

Growth in poultry production in 1983 is much slower than in previous years because of higher feed prices and weak export demand. However, strong gains continue to be made in the Soviet Union, given more plentiful supplies of feed. Continued higher feed prices may moderate 1984 output in the United States, Brazil, and Japan. Market prices for corn and soybean meal in Brazil have risen fivefold since January and are expected to remain higher. Output in the EC dropped in 1983, as export demand slackened, and Brazil continued to provide tough competition, causing an oversupply of export type poultry in the EC. If major export markets do not improve dramatically in 1984, output in France and the Netherlands could stagnate or decline, lowering the EC total.

Output in other Western European countries will be down nearly 4 percent in 1983, mainly because of declines in Spain. The Spanish cutbacks came from the higher cost of mixed feed due to imported feed becoming more expensive as the peseta depreciated.

Production in Eastern Europe (excluding Poland) may increase 3 percent in 1983. Financial problems are preventing Poland from importing sufficient corn and protein supplies to allow their broiler production to rebound. (Commercial output of broilers was slashed in 1982, but the continued limited availability of feed compounded from imported corn kept the drop in total production to only about 60 percent.) Although commercial broiler operations have ceased as feed supplies run out, total poultry output may drop 50 percent in 1983. If imported feed becomes available next year, renewed commercial broiler output could bring total production back to last year's level. [Linda M. Bailey (202) 447-4863]

Dairy

Milk Output Up Sharply

Total milk production is expected to expand 3 to 3.5 percent in 1983, but slow to only 1 to 1.5 percent growth in 1984. Much of the increased output will be in the Soviet Union, the EC, India, and Brazil. While most of the other major milk producing areas will also register larger output in 1983 and 1984, the magnitude of their gains will be much smaller. The major exceptions to higher

Total milk production

Country	1980	1981	1982 ¹	1983 ²	1984 ²
Million tons					
United States	58.3	60.3	61.6	62.7	62.5
Canada	7.9	8.0	8.3	8.1	8.2
Mexico	7.0	7.2	7.2	6.8	7.0
Argentina	5.3	5.3	5.8	5.7	5.8
Brazil	10.3	10.5	10.1	10.7	11.0
France	28.3	28.3	28.9	30.0	30.4
Germany, Fed. Rep	24.8	24.9	25.5	26.6	27.0
United Kingdom	16.0	15.9	16.7	17.6	18.0
EC-10	108.1	108.4	111.7	115.7	117.6
Poland	16.5	15.4	15.2	16.0	15.4
USSR	90.9	88.9	91.0	96.8	99.0
India	31.2	32.5	34.0	35.0	36.0
Australia ³	5.6	5.3	5.4	5.7	5.9
New Zealand ⁴	6.8	6.7	6.8	6.8	6.8
Other	63.2	63.1	62.9	64.1	64.4
Total	411.1	411.6	420.0	434.1	439.6

¹Preliminary. ²Forecast. ³Year ending June 30. ⁴Year ending May 31.

milk production are Canada, Mexico, and some South American countries this year, and the United States and Poland in 1984.

Drought-related reductions in milk cow numbers and output per cow will result in 1983 milk production being below last year in Mexico, Chile, and Peru. Lower 1983 Canadian production is tied to a reduction in industrial milk quotas during much of 1983, which in turn, was dictated by surplus 1982 production. With the announced higher milk quotas in Canada and expected better forage supplies in Mexico and other South American countries, 1984 milk production may expand moderately in these areas. The current forecast for slightly smaller U.S. output in 1984 is based on higher feed costs and reduced real returns through much of the year. The estimates of U.S. production do not include the potential impact of the new dairy price support program signed into law on November 29, 1983.

Milk production on the USSR's collective and state farms was up over 7 percent (4 million tons) in the first 10 months of 1983. All of the gain has been achieved via higher output per cow, because forage and feed supplies have been better and more abundant. Productivity gains will slow in coming months, but total 1983 production may be up almost 6 million tons from 1982. If this winter is not too harsh and if next year's forage supplies are adequate, USSR milk output could expand another 2 to 3 percent in 1984.

The EC, the world's largest milk producer, is expected to increase output 3 to 4 percent this year. While a mild winter and good forage supplies led to sharply higher output per cow in the first half of 1983, the gains slowed during the hot, dry summer. Pastures have improved this fall, but the quantity and quality of forage supplies this winter will be less favorable than a year earlier. While the forage situation might be expected to limit productivity gains, the milk-feed price ratios in many EC countries are sufficiently high to justify increased concentrate feeding, even with the higher world prices of feed grains and protein meal. Thus, the EC's 1984 output will hinge largely on upcoming decisions regarding

1984 price and income support payments. Several proposals have been made for dealing with the EC's overproduction and burdensome stock problem, but currently there is wide disagreement among member countries. Unless one of the more restrictive programs is adopted, higher beginning year milk cow numbers will likely lead to at least a 2-percent gain in EC's milk output next year. [Gerald Rector (202) 447-8054]

Sugar

The large drop in world sugar production anticipated in 1983/84 may not be enough to reduce stocks. Consumption of sugar could rise moderately, but sugar prices will likely stay low.

Production To Drop in 1983/84

World sugar output in 1983/84 is estimated to drop about 6 percent from the record 101 million tons a year ago. Poor growing conditions in several major producing countries and low sugar prices led to reductions in planted acreage. Harvested beet acreage is expected to decline 1.4 percent, mainly from an 8.8-percent fall in EC acreage; harvested sugarcane area could drop 2 percent.

Beet sugar production is estimated at 34.31 million tons, raw basis, down about 3 million tons, or 8.3 percent, from 1982/83. Almost a third of global beet sugar output, EC production is placed at 11.36 million tons, down from 14.82 million in 1982/83, because of reduced acreage and weather-reduced yields. The same causes reduced East European sugar output some 250,000 tons. However, USSR sugar production in 1983/84 is forecast at 8.5 million tons, 15 percent higher than last season, because of excellent sugarbeet yields and high sugar content.

The 1983/84 world cane crop has been hit by poor growing conditions in some major producing and exporting countries. Australia's sugar output is estimated at 3 million tons, down 15 percent from last season. South Africa's output, devastated by drought, could plunge 32 percent, to 1.54 million tons. Drought also could lower Philippine production 10 percent. Thailand's production will be some 26 percent lower than in 1982/83. India's centrifugal sugar output is estimated at 8.52 million tons, down 11 percent from the past two seasons' record, because farmers shifted to more profitable crops. In contrast, China, Indonesia, and Pakistan show larger crops in 1983/84. Improved or stable sugar production is forecast for Latin America. Overall, world cane sugar output is estimated at 60.35 million tons, down 5.1 percent from 1982/83.

Huge Stocks Unlikely To Fall

Global sugar consumption in 1983/84 is forecast to advance 2 to 3 percent, reaching 94 to 95 million tons. With world production estimated at 94.66 million tons, little or no reduction in sugar stocks is expected this season. Stocks are likely to continue unchanged at about 45 million tons, or more than 49 percent of forecast consumption. This enormous and unprecedented volume will keep prices at about 8 to 10 cents a pound in FY 84. The world price of raw sugar (f.o.b. Caribbean) fell below 9 cents a pound in November. During FY 83, prices averaged 7.7 cents a pound. [Robert D. Barry (202) 447-7920]

Cocoa and Chocolate

Cocoa Bean Output To Rise

World cocoa bean production during the October 1983/September 1984 season is forecast at 1.64 million tons, up 7 percent from the poor 1982/83 outturn of 1.54. Output in Africa (55 percent of world production) could be up 6.5 percent. Production is also expected up in South America, Asia, and Oceania, but down slightly in North America.

Output will increase in the Ivory Coast—the world's largest grower—as it recovers from a severe drought. Ecuador's crop is also expected to increase as it recovers from last year's heavy rains. Malaysia's production will rise, reflecting extensive new plantings. Output will likely expand in Brazil, Nigeria, and Cameroon, but decline in Ghana. While 47 countries produce cocoa commercially, the largest 6 will produce about 79 percent of 1983/84's output, and the largest 12, nearly 94 percent.

The global cocoa bean grind is forecast at 1.64 million tons in calendar 1984, compared with an estimated 1.62 million in 1983, and 1.6 million annually the previous 2 years. Global use has been increasing since 1978, partly in response to declining prices. Grind increases are expected in 1983 for Belgium, the Netherlands, Switzerland, and West Germany, reflecting economic improvement in these countries. The 1983 U.S. cocoa bean grind is down from a year ago, but overall cocoa use is up because of increased imports of semiprocessed and consumer products. U.S. imports of cocoa beans increased in 1983 as U.S. cocoa bean processors replenished relatively low stocks.

Global production is expected to balance cocoa use in 1984, following this year's nearly 100,000-ton stock draw-down. World stocks were growing during 1978-1982,

partly because of the slower increase in world use of cocoa and chocolate.

U.S. use of cocoa and chocolate products in calendar 1983 will probably increase moderately from 1982's nearly 880 million pounds (bean equivalent). Per capita cocoa consumption is likely to increase to 4 pounds or more from 1982's 3.8 pounds (bean equivalent). These trends are expected to carry into 1984.

New York cocoa bean prices (the average of the nearest 3 months of active futures trading on the Coffee, Sugar, & Cocoa Exchange Inc.) increased from 78 cents a pound in January to nearly \$1 a pound during June-August. Then prices declined somewhat with prospects for a larger world crop. Cocoa prices had been declining yearly since 1977, but turned around in 1983, because the 1982/83 crop was below consumption levels. Cocoa bean prices are expected to stay between 90 cents and \$1 a pound over the next few months, and are estimated to average 90 cents a pound in 1983, up from 74 cents in 1982.

The International Cocoa Agreement (ICCA) is scheduled to expire on September 30, 1984, but the International Cocoa Organization has established a committee to draft a new agreement by March 1984. A negotiating conference for a new ICCA will be held in May. [Fred Gray (202) 447-7290]

Cotton

Competitors' Problems Aid U.S. Exports

Pakistan and Brazil, the fourth and fifth largest foreign cotton producers, have had major production problems in 1983/84. Insect infestations, that sharply reduced yields in Pakistan, may cut available exports at least 50 percent, and cause it to lose its normal position as the third largest cotton exporter. The Brazilian cotton crop was

Cotton: World production, consumption, and net exports¹

Country	1981/82			1982/83			1983/84 ²		
	Prod.	Cons.	Net exports	Prod.	Cons.	Net exports	Prod.	Cons.	Net exports
<i>Million 480-lb. bales</i>									
Major exporters									
United States	15.6	5.3	6.5	12.0	5.5	5.2	7.5	6.0	5.6
USSR	13.3	9.2	4.2	11.9	9.2	2.9	13.0	9.4	3.7
Pakistan	3.5	2.2	1.1	3.8	2.4	1.3	3.1	2.4	.6
Egypt	2.3	1.4	.9	2.1	1.4	.9	2.0	1.4	.9
Turkey	2.2	1.4	1.0	2.2	1.5	.7	2.3	1.5	.8
Central America	.9	.1	.8	.8	.1	.7	.9	.1	.8
Sudan	.7	—	.5	.9	.1	.6	1.0	.1	.8
Brazil	3.0	2.6	.1	3.0	2.6	.8	2.8	2.6	.3
Mexico	1.4	.6	.8	.8	.6	.4	.9	.5	.3
India	6.4	6.0	.2	6.3	6.3	.6	6.6	6.5	.4
Major importers									
Western Europe	.9	5.1	-4.4	.7	5.3	-4.7	.8	5.4	-4.7
Japan	—	3.4	-3.5	—	3.3	-3.1	—	3.2	-3.2
Eastern Europe	.1	3.4	-3.2	.1	3.3	-3.2	.1	3.3	-3.3
South Korea	—	1.6	-1.5	—	1.6	-1.6	—	1.6	-1.6
Taiwan	—	1.1	-1.1	—	1.1	-1.0	—	1.1	-1.1
China	13.6	15.7	-2.1	16.5	16.5	—	17.0	17.2	—
Hong Kong	—	.7	—	—	.7	—	—	.7	—
Residual	6.8	5.8	+4	6.6	6.1	+9	7.3	6.3	+6
World	70.7	65.6		67.7	67.6		65.3	69.3	

— = negligible.

¹Year beginning August 1, consumption is mill use. ²Forecast.

hurt by excessive rains in the south and by drought in the north, reducing production 9 percent from a year earlier. Moreover, Brazil consumes most of its production, so the crop reduction, although much less than in Pakistan, was sufficient to decrease export prospects to less than half that for 1982/83.

The USSR is expected to have a much improved cotton crop in 1983/84, up almost 10 percent from 1982/83. However, the crop was late maturing, so it depended on favorable weather in October and November. Because bad weather during harvest caused the 1982/83 problems, the Soviets feared the same could happen again. Whereas a year ago they made export commitments they had to renege on, this year they seem to be waiting to make sure they have the crop before they sell it. Consequently, the United States has been able to sell ample supplies of cotton from August until November without competition from the USSR.

Helped by limited competition from the USSR and Pakistan, U.S. export commitments at the beginning of November were 30 percent above a year earlier, despite a 37-percent smaller cotton crop. In November, however, U.S. prices became less competitive in Europe. Given the sharply smaller U.S. supplies, further U.S. sales should drop off dramatically. However, early sales have been strong enough to boost the U.S. cotton export forecast 7.5 percent above the 5.2 million bales in 1982/83.

U.S. and World Stocks Falling

World ending stocks in 1983/84 are forecast to decline 4.1 million bales, almost 15 percent. U.S. stock changes should account for 3.9 million, most of the world's decline. Pakistan, Egypt, and Brazil are also expected to draw down stocks in 1983/84, but the USSR and Mexico, coming off a bad year in 1982/83, can be expected to replenish their stocks. Chinese stocks, reportedly higher than desirable, are unlikely to decline with another year of record production. China's large cotton supplies should make it basically self-sufficient in 1983/84, and decrease the likelihood of large imports in 1984/85. [Edward Allen (202) 382-9820]

REGIONAL DEVELOPMENTS

United States

Crop Supplies Reduced Sharply

Burdensome supplies of major crops that pressured farm prices last year have largely been reversed. Acreage limitation programs, including payment-in-kind (PIK), and severe drought in major crop areas resulted in sharply smaller 1983 harvests. Large carryin stocks only partially offset the decline in production, and supplies of feed grains and soybeans are down 28 and 23 percent, respectively. However, the use of feed grains may be only 7 percent below a year earlier, because requirements for livestock feeding are large, and because exports continue near last year's pace. Total use of soybeans may be down 15 percent, because both crushing and exports are reduced. This means that ending stocks will be pulled down to minimum pipeline levels, and that prices in 1984 will be substantially higher, perhaps 33 percent for corn and nearly 60 percent for soybeans. Wheat is a major

exception, because a large crop harvested prior to the drought will likely keep stocks burdensome.

Crop production in 1984 is likely to expand as farmers strive to recover from the 1983 drought. The acreage reduction programs announced for the 1984 wheat and feed grain crops are not as attractive to farmers as last year and will likely have lower participation. An increase in planted area, in conjunction with normal yields, would result in substantially larger crops. However, additional moisture will be needed during the winter and spring to replenish dry subsoils.

Meat Output To Decline

Meat production in 1983 has been record large, because livestock feeders responded to favorable or potentially positive feeding margins. Poultry output showed the most gain during the first half, and increases in cattle feeding buoyed marketings. Pork production has risen because of cyclical increases during the second half of 1983. The drought did not greatly affect meat output, although rates of gain declined during the unseasonably hot weather and death losses probably increased slightly. Some farmers reduced herds as feed prices started to soar. However, the impact on meat production may not be felt until next spring. Current efforts to reduce cattle feeding and hog production will be delayed by the length of time required to feed livestock to marketable weights. Broiler production can make the quickest adjustments and expand to partially fill the gap in red meat production during the last half of 1984.

Farm Income To Rise

Net farm income for 1983 is estimated at \$23 to \$25 billion, moderately above the \$22.1 billion in 1982. A decline in crop cash receipts has been offset by larger Government payments. Production expenses declined because acreage limitation programs curtailed input use. This offset the 3-percent price increase farmers paid for inputs. Net farm income for 1984 is expected to rise as crop production returns to normal and farm prices continue favorable. Increases in farm cash receipts should more than offset reduced Government payments and higher production expenses.

Retail food prices in 1983 averaged only 2 percent above a year earlier. Food prices have risen more slowly than the Consumer Price Index (CPI) for all retail items. Prices may increase 4 to 7 percent in 1984. Retail meat prices are anticipated to show substantial gains in the second half when supplies decline and consumer incomes improve. [Allen O. Johnson (202) 447-8378]

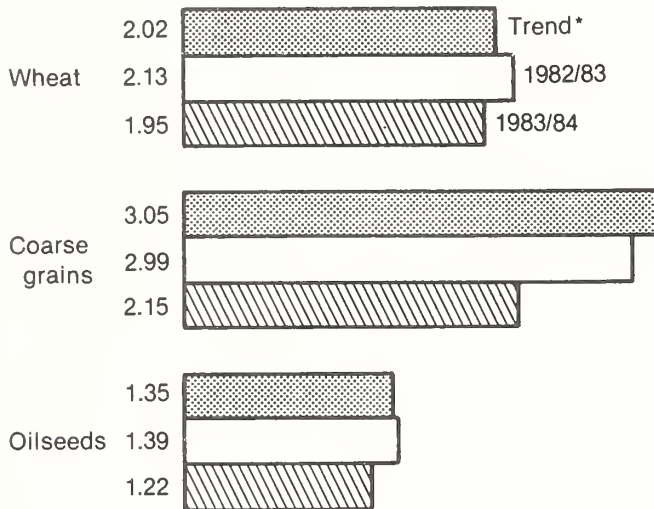
Canada

Crop Production Drops

Production of major grains and oilseeds declined 12 percent in 1983 as midsummer expectations for crops were not realized. Growing conditions were excellent during June and early July, but hot, dry weather in late July and August reduced yields for all crops. Coarse grains were down 22 percent, accounting for almost all the decline in crop production; wheat and oilseed production each declined less than 1 percent. The decline in coarse

Yields Decline for Major Canadian Crops

Metric tons/hectare



*Based on 1973/74-1982/83 linear trend.

grain production was due to reductions in both area (12 percent) and yield (11 percent). The declines in wheat and oilseeds were primarily due to reduced yields—down 8 and 12 percent, respectively.

Despite disappointing yields, the wheat crop is the second largest ever, and rapeseed production is up 20 percent, which should provide some relief to the hard-pressed crushing industry. In contrast, the coarse grain situation is tight. Barley prices increased rapidly during the summer on the strength of the North American drought. The Canadian Wheat Board (CWB) raised initial prices for barley and oats in late October to encourage farmers to deliver to them rather than to the off-board or domestic feed market where prices were higher. The CWB has had to defer some barley sales for later delivery and wants to ensure that it will have adequate supplies to meet its expanded export commitments for 1983/84.

Crow Rates Finally Ended

After lengthy debate, the Canadian Parliament finally passed a controversial bill to dismantle statutory freight rates (Crow rates) set in 1897 on western grain and oilseeds. Grain producers' payments will nearly double by 1985/86 and will increase fivefold by 1990/91. The debate centered on the costs and benefits of higher freight rates to different groups—western grain producers, food processors, and eastern and western livestock producers. Despite the increase, the Government will still be subsidizing freight rates through an annual payment to the railroads of about C\$650 million, in addition to other program expenditures. The rate increases are deemed necessary to upgrade rail capacity. [Carol Goodloe (202) 447-8378]

Western Europe

Production of field crops in Western Europe, particularly feed grains, declined in 1983 because of extremely dry

weather. Large stocks have resulted in increased feed use of wheat and subsidized skim milk powder (SMP), while corn and soybean meal have declined. The strong U.S. dollar in 1983 contributed to the decline in U.S. agricultural exports to Western Europe. In the EC, rising expenditures to support the agricultural sector are causing a severe budgetary crisis, underscoring the need for modifying the Common Agricultural Policy.

Crop Output Declines, Milk Increases

The 1983 drought in Western Europe reduced production of most important field crops. Total grain output is estimated at 151 million tons, down 7 percent from 162 million in 1982, with both wheat and coarse grain declining. The biggest slump occurred in the EC, where reduced yields sent output of coarse grains down over 8 million tons, to 64 million tons. The EC's wheat harvest is estimated to be 67 million tons, slightly below last year's record. Because carryin wheat stocks are large, this year's production may cause surplus disposal problems in 1983.

Other important field crops, such as sugarbeets and rapeseed, also declined. Rapeseed production, estimated at 2.95 million tons, is down from 3.13 million last year, and beet sugar, at 13.57 million tons, is down from last year's 17.27 million.

Milk production has increased every year since 1970, and 1983's 139-million-ton record was set with only a marginal increase in cow numbers. This high milk output has caused large butter and SMP stocks, despite costly export subsidies. Although production of SMP will rise 14 percent, to 2.73 million tons in 1983, increased use by feed manufacturers and farmers is expected to slow the growth in stocks.

Feed Use Shifts

Relatively high 1983 world prices for corn, soybeans, and soybean meal shifted feed use patterns in Western Europe. Corn use declined as more domestically produced soft wheat was used for feed. Soybean meal is projected to decline 14 percent in 1983/84, to 15.3 million tons. The decline in rapeseed meal feeding reflects the drop in output from the dry weather.

The EC's use of SMP for feed jumped in 1983, because a subsidy made it competitive with soybean meal. Recent higher prices for soymeal and other protein feedstuffs have provided further incentives to use SMP as feed.

The use of wheat for feed is forecast to increase over 5 million tons in 1983/84, to 21 million tons. Use is particularly high in the northern countries where there was a good wheat crop but poor hay and silage crops. Coarse grains fed to livestock, however, will probably decline slightly in 1983/84, because of less available feed grain in West European and world markets.

U.S. Exports Decline

U.S. agricultural exports to Western Europe, which were \$12 billion in 1982, are estimated to decline to about \$10 billion in 1983. The stronger dollar, rising self-sufficiency in Western Europe, and rising competition from third world countries will be the major causes. U.S.

exports of grain, especially feed grains, declined in 1982/83 because of more European produced feeds. Prospects for 1983/84 are for some improvement in U.S. exports of grains. Economic recovery may stimulate Western Europe's starch and alcoholic beverage industries, both of which use imported U.S. corn.

U.S. exports of both soybeans and soybean meal have declined in recent months, largely because of sharp price increases, but also because of reduced profitability of the Western European crushing industry. Total U.S. oilseed exports to Western Europe are forecast to dip to \$4.8 billion in 1983, down from \$5.4 billion in 1982.

Most other U.S. agricultural exports to Western Europe have also declined; tobacco, however, increased. Although the textile industry in Western Europe is expected to revive somewhat in 1984, higher priced U.S. cotton will likely account for smaller exports to that market.

EC Budget Crisis Worsens

Rocketing expenditures and economic stagnation have combined to create a severe EC budget crisis. Although financial strains forced passage of two supplementary budgets during 1983, estimates of the 1983 EC deficit have been as high as 600 million ECU's (over \$500 million). Any easing of the crisis is not likely during 1984, although relatively high world prices for grains have lowered export subsidies, and projected economic recovery could result in higher tax revenues.

Proposals to reduce support costs for most major commodities are being discussed, including measures to reduce prices, eliminate consumer subsidies, and limit price supports to specific production quotas. The EC Commission has also proposed a tax on fats and oils to raise additional revenues. Any of these proposals, if passed, will face fierce opposition. Meanwhile, some EC expenditures, such as advance payments on export refunds, are being deferred to 1984. [Marshall H. Cohen (202) 447-8289]

Australia

Record Crops Are Forecast

With planted area at an alltime high, 1983 wheat production is forecast at 19 million tons, 5 percent above the 1978 record and more than double last year's drought-stricken crop. Yields are likely to average 1.50 tons per hectare, well above trend, but below the record 1.77 tons. Growing conditions have been generally good, but stripe rust has reduced yield prospects in New South Wales and Victoria. Western Australia had dry weather during the planting season, and area and production are down from 1982. Wheat exports may increase to 13 million tons. China, the USSR, and Egypt will likely be the largest markets.

Farmers planted record barley and oat areas to improve cash flow and to feed livestock. Barley area increased also, because of problems in planting wheat. Output may also set a record. Spring-planted sorghum and rice crops should rebound because of improved water supplies.

Australian crop production

Crop	1981/82	1982/83	1983/84 ¹
<i>1,000 hectares</i>			
Wheat	11,885	11,547	12,695
Rice	123	83	114
Other grains	4,873	4,619	6,616
Sunflower	178	169	219
Other oilseeds	130	111	188
Cotton	104	92	132
<i>1,000 tons</i>			
Wheat	16,360	8,902	19,000
Rice	854	528	717
Other grains	6,716	3,783	8,681
Sunflower	115	93	154
Other oilseeds ²	395	240	477
Cotton	134	101	159

¹Forecast. ²Includes cottonseed.

Rapeseed and safflower area is up sharply, and crops are progressing well in most regions. Plantings of sunflower, soybeans, and cotton are likely to rise sharply. Thus, Australia's oilseed and protein meal imports are forecast to fall during 1983/84, and its cotton exports are expected to rebound.

Livestock Sector Recovering Slowly

Slaughter of female cattle was heavy during the drought, so herd rebuilding will be slow. Cattle declined 2 million head between March 1982 and 1983 and may drop another 800,000 head, to 21.7 million, by March 1984. Slaughter declined 16 percent in 1983 and could drop next year to the lowest level in a decade. Beef and veal production is likely to continue falling in 1984. Market prices will be largely determined by U.S. meat prices and by the currency exchange rate. Domestic use is expected to decline slightly. Exports, down nearly a fifth in 1983, are expected to drop another 10 to 15 percent.

The sheep herd may increase marginally because this year's slaughter has dropped sharply. Lamb and mutton production, declining about 13 percent in 1983, is expected to rise in 1984. Prices may remain low because of weak demand. [Sally Breedlove Byrne (202) 447-8376]

Japan

U.S. Exports To Rebound in FY 84

Led by greater coarse grain exports and higher export prices for many commodities, U.S. agricultural exports to Japan in FY 84 are projected to rebound to 1981's record \$6.7 billion. The value of animal product exports is expected to increase slightly from 1983, although some particular items such as pork and inedible tallow are forecast to show declines. Denmark is expected to dominate the Japanese pork market, since the ban on Danish pork was removed on September 1.

Despite higher prices, U.S. exports of coarse grains are forecast to show gains in volume and value because of an improved market share. Wheat exports will be up slightly in both volume and value, while soybean exports are projected to fall from 1983's record 4.7 million tons. Increased imports of food use soybeans from China and a slight decline in soy meal consumption are behind the

Japan: Production of major livestock products

Product	1982	1983 ¹	1984 ²	1983/ 1982	1984/ 1983
	1,000 tons			Percent rise	
Beef and veal	481	485	490	0.8	1.0
Pork	1,427	1,450	1,480	1.6	2.1
Milk ³	6,750	6,900	6,950	2.2	.7
Broilers	1,080	1,150	1,180	6.5	2.6
Eggs (million)	34,316	35,000	35,000	2.0	0

¹Preliminary. ²Forecast. ³Fluid.

lower U.S. forecast. Cotton exports are expected to increase only marginally in volume, mostly because of Japan's weak cotton yarn market, while U.S. exports of tobacco are forecast up slightly from FY 83.

Rice Harvest Again Below Target

Based on an October 15 crop survey, Japan's Government estimates 1983 rice output at 9.54 million tons, 421,000 tons below target. Cold weather in the north and rains and typhoons elsewhere will result in a below-normal harvest for the fourth consecutive year. Total rice area harvested is estimated at 2.27 million hectares, up slightly from 1982, and total area diverted to other crops under Japan's riceland diversion program is estimated at 632,000 hectares.

Japan's adzuki bean crop is expected to be down more than 40 percent from 1982 because of the cool weather. Increasing domestic prices caused the agriculture ministry to issue a special \$5-million adzuki quota in August to supplement its original \$3.5-million quota for the first half of FY 83 starting in April. Quotas for September 1983-March 1984 are expected to be larger than last year because of the short supply.

A revised estimate for the Hokkaido onion crop puts 1983 production at 393,000 tons, 9 percent below 1982's record harvest, but still 23 percent above the weather-reduced 1981 crop. Japan may increase its onion imports somewhat to compensate for the lower domestic production.

Livestock Output Slows, Imports Up

All major categories of livestock will show some growth in 1984, although production of broilers, milk, and eggs will expand less rapidly than in 1983. Beef and pork output will grow because of an increase in the number of animals available for slaughter; a reduced forage crop in Hokkaido will cause some shifting of replacement dairy heifers to meat, contributing to expanded beef supplies. The slight increase in milk production will be used for fluid consumption and as a result, output of processed dairy products such as butter and dry milk will remain unchanged.

Beef imports are expected to continue to expand, but imports of pork will decline because of weak demand, despite renewed availability from Denmark. Imports of poultry will be up slightly; increased chicken shipments from Brazil (mostly bone-in legs) are expected to continue. Egg imports are expected to expand substantially after declining in 1983, as low egg prices and no growth in layer numbers will curtail domestic production. Pro-

ducer prices for eggs are not supported by the Government, unlike prices for beef and pork.

Despite higher grain prices, formula feed production is expected to expand; feed millers are reportedly optimistic about growth in domestic livestock production. The mixing ratios of corn and sorghum in formula feed are expected to change, however. More sorghum will be used in place of corn because of more favorable sorghum prices relative to corn and the end of Japan's surplus rice disposal program in December 1983. The use of surplus rice for feed displaced sorghum in formula feed last marketing year (July/June). [Lois A. Caplan (202) 447-8860]

USSR

The Soviets will probably report that gross agricultural production in 1983 surpasses their 1978 record. Because of production improvements in both 1982 and 1983, USSR agricultural imports will drop again in calendar 1983, perhaps to \$17.7 billion. U.S. agricultural exports to the USSR in 1983 declined, in part because of declining Soviet import needs. With the new agreement, the United States should enlarge its share of the Soviet grain import market in 1984, despite expected further declines in Soviet agricultural import demand.

Grain Leads 1983 Import Declines

The major cutback in Soviet agricultural imports occurred in grains. In the 1982/83 marketing year, grain imports were about 30 percent smaller than in the previous period, with all of the cutback in coarse grains. For the 1983/84 marketing year, grain imports are projected at about 29 million tons, down from 32.5 million. Most of this decline should be reflected in wheat, which is expected to decline from 1982/83's record 20.2 million tons to about 18 million. As of early November, Soviet grain purchases had reached 15 million tons for 1983/84 delivery. Imports of meat, sugar, and cotton are also expected to fall in 1984 because of increased domestic production.

Despite these trends in total USSR agricultural imports, the United States is assured of increased grain sales to the USSR under the terms of the new U.S.-USSR Grain Supply Agreement. Sales in the first year are expected to reach \$1.7 billion, versus \$1 billion a year ago. As of late November, the Soviets have purchased 2 million tons of wheat, 2.5 million of corn, and 400,000 of soybeans. Under the terms of the agreement, the Soviets are required to purchase 8 to 9 million tons of wheat and corn during each October-September period until October 1, 1989.

Record Domestic Output Possible

USDA currently estimates the 1983 Soviet grain crop at 200 million tons, compared with 180 million estimated for 1982. While this is slightly below the 1976-1980 average of 205 million tons and roughly 40 million below target, it would be the largest grain crop since 1978, and the third largest in the past 8 years.

Preliminary area data, published in the Soviet press in October 1983, showed the 1983 sown grain area contin-

ued its decline and totaled about 122.5 million hectares, compared with 1977's peak of 130 million. This decline resulted from a drive to increase summer fallow to stabilize year-to-year fluctuations in yields.

A major area shift occurred in 1983 among grains. Final wheat area may fall almost 7 million hectares, to about 50 million, while coarse grain area is expected to increase about 4 million hectares, and pulses, 1 million. This shift is partially from failure to meet planned winter wheat sowings last fall. However, with spring wheat area falling to its lowest in over 25 years, it appears the Soviets are implementing their goal of increasing coarse grain and pulse production relative to wheat to improve livestock feeding rations.

Projected grain yields in 1983, at 16.4 quintals per sown hectare, are the fourth highest on record. Yields were supported in part by a 10-percent increase in fertilizer production. Yields were particularly favorable in much of the Volga Valley and southern Urals. Drought lowered the yields of small grains in the Southern Ukraine and parts of the North Caucasus, while cold, wet weather hampered harvesting in Siberia.

Total feed supplies for the 1983/84 marketing year will be at a record, up 6 percent (in oat unit equivalents) from a year earlier, which was up 8 percent from 1981/82. Major production increases for 1983 were registered for hay and haylage. Some increase is also likely in oilseed meal, silage, and feed roots. Furthermore, the quality of this year's nongrain feeds is believed to be higher than average.

The improved feed supply and probably the farm response to higher Government purchase prices for livestock products this year were reflected in the strong gains made in socialized livestock during January-October 1983. Cattle, hogs, and poultry numbers reached records on October 1. Meat, milk, and egg production on collective and state farms rose substantially, 6, 7, and 5 percent, respectively.

With this improved outlook, meat production in 1983 is expected to reach a record and to possibly meet the 16.2 million tons planned—a 5-percent rise over 1982. Milk production is expected to recover, gaining about 5 to 6 percent. Butter and cheese production also could be records. Egg production is projected at a record of at least 75 billion, up 4 percent. Further growth in output of livestock products is expected in 1984.

Production of most other crops is expected to be higher than last year, primarily because growing conditions were better. Sugarbeets are projected at 82 million tons (up 14 percent); potatoes, 82 million tons (up 5 percent); vegetables, 29.5 million (up 1 percent); and total fruit, 18.5 million (up 3 percent). A smaller sunflower area may hold sunflowerseed production close to 1982's output of 5.3 million tons, despite better weather and greater use of industrial cropping methods.

Because of the late-maturing cotton crop, this year's harvest has been slow. Output (raw basis) is projected at 9.4 million tons, up 1 percent from 1982 and of much higher quality. Lint outturn could reach 13 million bales. For better quality control, the Soviet Government appears to have shifted its basis of farm payments for

raw cotton from a simple tonnage calculation to one that now emphasizes cotton quality. To reduce deterioration of raw cotton stored in open gin yards for long periods prior to processing, the Soviets are planning to cut back the ginning period from 11 to 6 months.

Food Situation Improved

Increased domestic supplies of most agriculture products, together with imports, should have improved the 1983 food situation considerably. Gains are expected in per capita consumption of meat and meat products (59 kilograms, up 4 percent); milk and milk products (312 kilograms, up 6 percent); eggs (254 eggs, up 2 percent); potatoes (112 kilograms, up 2 percent); vegetables (103 kilograms, up almost 2 percent); and fruit (43 kilograms, up 2 percent). Sugar consumption could remain around 1982's 44.5 kilograms. As the harvest ended, the Soviet leadership was linking 1983's improved performance to elements of the "Food Program," especially the collective contract terms, and the improved management structure embodied in the regional agro-industrial associations.

[Angel O. Byrne (202) 447-8380]

Eastern Europe

Gross agricultural production in Eastern Europe will decline this year. The only major crops to show increases will be rapeseed and potatoes. Livestock numbers will likely change little and output of meat, milk, and eggs should be lower than a year earlier.

Hard currency shortages continue to limit farm imports. U.S. agricultural exports to Eastern Europe, for example, fell for the third straight year in FY 83. Some improvement in FY 84 U.S. farm exports is forecast, and total 1983/84 grain imports should be higher than in 1982/83.

Severe Drought Hurts Crops

Severe drought was widespread throughout Eastern Europe during the 1983 growing season. Bulgaria, Hungary, and Romania suffered the most with some officials describing the weather as the worst in decades. Although grain output in Eastern Europe, forecast at 98.4 million tons, will be 7 million tons below last year's record harvest, it will still be above the 1976-1980 average of 94 million tons, with coarse grain output down more than wheat.

Sugarbeet, sunflowerseed, and hay production should all be well below last year's. The outlook for 1983/84

E. Europe: Production of selected agricultural products¹

Product	1982 ²	1983 ³
Million tons		
Grain	105.7	98.4
Wheat	34.1	33.9
Coarse grains	71.4	64.3
Oilseeds	4.0	4.0
Sunflowerseed	2.2	1.9
Rapeseed	1.1	1.4
Sugarbeets	49.6	45.7
Potatoes	53.4	55.2
Meat	11.5	11.2
Milk	41.3	42.0

¹Excludes Albania. ²Preliminary. ³Forecast.

nongrain feed supplies is poor, particularly in Czechoslovakia, the German Democratic Republic (GDR), and Hungary where feed root and hay production were hurt by the drought.

Rapeseed and potato production are the only exceptions to an otherwise lower crop outlook. The mild 1983 winter will leave rapeseed production at an estimated 1.4 million tons, 28 percent above 1982. An expected 13-percent increase in Polish potato production should compensate for output declines in every country except Bulgaria and Yugoslavia. Nevertheless, 1983's regional potato output of 55.2 million tons is still 10 million tons below the 1976-1980 average.

No Growth in Livestock Sector

Livestock inventories on January 1, 1984, should be little changed from a year earlier. Cattle numbers will likely be lower (dropping less than 100,000 head, to 37.2 million), and hog and poultry numbers may increase slightly. Lower slaughter weights and declining livestock numbers in several countries should lead to around a 2-percent decline in 1983 meat production. The declines will be most severe in Poland, possibly 10 to 15 percent, and in Czechoslovakia, where livestock numbers are being reduced to cut feed demand.

1984 Food Supplies Tight

Food supplies in Eastern Europe will not improve next year. In Poland, the expected decline in meat output will tighten supplies, especially in the first half of 1984, and butter rationing has been reintroduced. Retail food prices in Poland will rise in early 1984 to cover the cost of higher state procurement prices. In Hungary, retail prices of several foods were recently increased, because of drought-reduced supplies and the high subsidy cost of maintaining prices.

Coarse Grain Imports May Rise

Little economic growth and severe hard currency shortages will continue to characterize Eastern Europe next year. Grain imports, despite hard currency shortages, should be higher in 1983/84. Wheat imports are expected to remain stable at 4 million tons, but coarse grain imports may increase to 4.7 million tons from 3.8 million in 1982/83. USDA estimates Eastern Europe will import 8.7 million tons of grain in 1983/84, compared with 7.8 million last year.

U.S. Exports Fall; Outlook Dim

U.S. agricultural exports to Eastern Europe continued to decline, dropping 10 percent, to \$827 million in FY 83. Grain exports were down 51 percent, to 1.97 million tons, and soybean meal exports fell 31 percent, to 361,000 tons. Soybean exports were higher, however, rising 66 percent, to 789,000 tons. CCC export credit guarantees for Eastern Europe in FY 83 were \$277 million (\$235 million for Yugoslavia and \$42 million for Hungary), indicating that up to a third of FY 83 exports were credit financed.

The outlook for FY 84 exports offers little improvement. U.S. farm exports to the region are estimated at \$885 million. The best this estimate indicates is that the

export decline, which began in FY 81, may have bottomed out. Both Hungary and Yugoslavia have requested CCC credit guarantees once again this year. These requests remain under consideration and the final value of any credit guarantees will heavily influence FY 84 exports. [Robert Cummings (202) 447-8380]

China

China gathered its sixth consecutive good harvest in 1983. Oilseeds, while down, are likely to do better than planned, and grain and cotton harvests are expected to exceed last year's records. Grain import demand is projected to decline in 1984. U.S. agricultural exports to China, however, should rebound somewhat from this year's low.

Production Rose in 1983

Both winter and spring wheat area increased as planned, and excellent growing conditions pushed yields up. Total wheat production reached an estimated record 78 million tons, up 10 million tons and 14 percent over last year.

Total rice production is estimated to have fallen from last year's record 113 million tons to a historical second best of 109 million. Early rice production declined, but intermediate rice rose and late rice production approached last year's record. Coarse grain is estimated to have reached a record 85 million tons.

Estimated oilseed output dropped to 26.3 million tons, slightly below last year. Rapeseed accounted for the decline while other oilseeds remained at about last year. Rapeseed area fell 267,000 hectares from 1982, and production fell 1.25 million tons. Planned rapeseed area was cut back this year because of excess production and stocks in central China.

Cotton production is estimated at 17 million bales, about 3 percent above last year's record. Although a drop in cotton area was planned, the area planted remained near 1982's. Increases in the northern producing provinces approximately balanced decreases in the central region. Yields and production also rose considerably in the North, more than offsetting the adverse effects of poor weather in the Yangtze Valley.

Imports May Fall

Record grain production and above-normal procurements have begun to depress import demand. Procurements of 1983 wheat were up considerably from last year, and procurements of fall harvested grains will also be good. USDA projects total wheat imports in 1983/84 at 12 million tons, 1 million below last year. Coarse grain imports could be off even more, mainly because of higher prices. Large purchases of cotton or soybeans are not expected in 1984, because during the last 5 years, domestic production and stocks of these products have grown rapidly.

U.S. Exports Recover Gradually

Low prices offered by other wheat suppliers and strained Sino-U.S. commercial relations contributed to lessening China's imports of U.S. wheat this year. During calendar 1983, China has failed to purchase the 6-million-ton

minimum called for in its long-term grain trade agreement with the United States. A shortfall of around 2 million tons is expected for the year. Through October, about 4 million tons of U.S. grain had been either delivered or contracted for shipment to China.

Total U.S. agricultural exports to China in FY 84, however, are expected to recover, because of higher grain prices and larger wheat shipments. U.S. exports may reach \$900 million, considerably above the \$547 million of 1983, but still well below the 1981 record of \$2.2 billion. Wheat will regain its dominant position in U.S. sales, climbing from the 1983 low of 1.9 million tons to an estimated 4.5 million. The United States will continue to be China's major corn supplier, although exports are expected to fall from 2.2 to about 1 million tons. No U.S. sales of cotton or soybeans to China are forecast for 1984. [*Carolyn L. Whitton (202) 447-8676*]

Asia

Asian agricultural performance has generally improved in recent months. A favorable monsoon brightened South Asian 1983/84 food grain and oilseed prospects, especially in India. In East and Southeast Asia, Korea's strong economic growth is increasing consumer demand for live-stock products, and in Taiwan, U.S. corn continues to be a large import.

India Leads South Asian Growth

India's economy is expected to grow 7 to 8 percent in 1983/84, sparked by a 12-percent gain in farm output. Food grain production is projected to rise 10 percent, to a record 141 million tons; oilseed production, 17 percent, to a record 15.6 million. These gains are attributed to an excellent 1983 monsoon and strong producer price incentives, including both higher administered output prices and lower fertilizer prices.

India's 1983/84 rice crop is forecast at a record 55 million tons, up 20 percent from the drought-affected 1982/83 crop. Coarse grain production is estimated at 30 million tons, up 9.5 percent. Soil moisture and input supplies are reported to be excellent for planting the 1983/84 wheat crop in November-December, and forecasts call for the crop to set a fourth consecutive record of 44 to 45 million tons, compared with 42.5 million in 1982/83.

Government cereal stocks are projected at about 20 million tons by July 1984, the highest since 1979, but still below the target of 21 to 24 million. Record Government procurement, lower public distribution requirements, and wheat and rice imports will help build stocks. In September, India purchased 2.13 million tons of wheat, including 980,000 tons from the United States, 650,000 from Argentina, and 500,000 from Canada. Forecasts call for India to take advantage of low prices, and to buy an additional 500,000 tons of wheat for stocks, probably from Australia. Relatively low rice stocks and strong rice offtake through the public distribution system should lift rice imports to 400,000 tons in 1983/84, while exports will be limited to about 250,000 tons of basmati.

The record oilseed harvest forecast is based on individual records for most oilseed crops. Peanut production, aided by continued gains in irrigated production, is forecast at

a record 7.3 million tons. Record domestic output and relatively strong world prices will likely drop Indian imports of edible oils from an estimated 1.2 million tons in 1983 to about 950,000 tons in 1984. Comparatively low prices for palm oil and a recent regulatory change which increases the amount of palm oil allowed in vanaspati (hydrogenated vegetable oil) production, may further erode the share of soybean oil India imports in 1984.

Bangladesh's 1983/84 food grain output is forecast at 16.2 million tons, 5 percent above the bumper 1982/83 harvest. The favorable monsoon, additional irrigated area, and expanded fertilizer use account for the expected rise. The larger 1983/84 crop should lower food grain imports by 400,000 tons to 1.4 million. Cereal stocks are expected to be a comfortable 1.3 million tons on January 1, 1984.

In Pakistan, good rainfall and some area expansion lead to a projected 8-percent increase in wheat production to 12.4 million tons in 1983/84, a fourth consecutive record. Pakistani wheat exports during 1983/84 may reach 500,000 tons, with 300,000 already earmarked for Iran.

Pakistan's cotton prospects are less certain. Earlier forecasts for a record harvest seem improbable, since recent flooding and pest damage in Sind province have injured the mature cotton. The crop may be 15 to 20 percent lower than the original forecast of 849,000 tons, and exports could drop as much as 50 percent.

Sri Lanka is the only South Asian country with reduced production prospects. The country is once again suffering from drought, which will hurt the rice and tea harvests. Rice output for 1983/84 is forecast at 1.36 million tons, 120,000 tons below the previous harvest. Imports are projected to remain near 200,000 tons, not large enough to keep rice stocks from becoming extremely low.

East and Southeast Asian Rice Crops Mixed

Because of chronic over production and excess stocks, Taiwan has been trying to reduce rice area. Production for 1983 far exceeds the official target of 2 million tons, and is expected to reach 2.3 million, up 150,000 from the previous year. To reduce output, Taiwan is proposing a "payment in kind" program, which will remove 44,000 hectares from production during 1984. For each hectare set aside, the farmer would receive 1,500 kilograms of paddy rice (or title to it). In addition, approved crops such as corn, sorghum, and soybeans grown on the set-aside land would be purchased at guaranteed prices.

Taiwan's total corn consumption may decline during 1983/84, because of falling hog prices in Japan's shrinking pork market. Despite the decline, 1983/84 corn imports are expected to remain close to last year's 3.1 million tons so that corn stocks might be rebuilt to targeted levels. The United States will continue to supply most of Taiwan's corn.

Indonesia's large dry-season rice crop could boost overall 1983 production to a record 23.5 million tons. This slight gain over 1982 is expected despite the extremely short 1982/83 rainy season, and the 29-percent higher prices for fertilizer (use actually increased). Rice imports in 1983 have increased sharply and may reach 1.3 million

tons (332,000 in 1982), again ranking Indonesia as the world's leading rice importer. Imports may decline slightly in 1984, if foreign exchange remains tight and if normal weather prevails. Malaysian palm oil output could reach 3.1 million tons in 1983, down 13 percent from last year's record because of drought, biological stress from 1982's huge output, and reduced fertilization by growers. Production growth may be renewed by April 1984, hoisting output to a record 3.8 million tons for the year.

Strong Economic Growth in Korea

South Korea appears to have regained its former rapid economic growth. Real GNP grew 9.6 percent between mid-1982 and mid-1983, and forecasts call for 8.8-percent real growth for 1983. Construction and domestic investment have dominated the country's economic recovery, but exports of electronics, heavy industrial products, and chemicals have recently shown substantial growth. Meanwhile, exports of plywood and textiles remain depressed.

The domestic livestock industry, stimulated by rising consumer demand for meats, continues to need more imported feed grains and soybeans. South Korean price stabilization policies have largely shielded feed mixers from increased U.S. corn prices. Hence, the total value of U.S. corn exports to South Korea is expected to increase substantially in FY 84, although the quantity may be slightly below that of FY 83. However, importers have shifted strongly from relatively high priced U.S. sorghum, to rye and feed wheat from non-U.S. sources.

South Korea predicts a bumper rice crop of around 5.3 million tons, but recent USDA field reports indicate that late-season weather problems may have reduced the harvest to 5.1 million, raising the possibility of rice imports from the United States. Moreover, delayed harvesting may cut into planting of next year's barley crop, which may enlarge demand for imported feed grains.

Despite a 6-percent drop in production, to 11 million tons, Thailand's rice exports will approach 3.6 million tons in 1983. Large stocks following the record 11.8-million-ton harvest in 1981 are maintaining exports at the 1982 level. Timely rainfall, particularly in the Northeast, may lift 1983's production outlook to 11.7 million tons, keeping exports above 3 million tons in 1984. Current estimates indicate that 1983/84 corn output will rise nearly 14 percent from a year earlier, to 4 million tons. A surplus of 2.8 million tons is likely, although exports rely on good movement early in the season. Although corn prices in Bangkok are strengthening with those in the United States, recent trade quotations in Bangkok are significantly below U.S. prices.

Insufficient rainfall in the Philippines has delayed nearly 50 percent of the rice crop by 2 months, but 1983/84 output will be 4 percent above last year's drought-affected crop of 5.07 million tons. The improvement is largely from renewed planting in rainfed and upland areas, rather than in a substantial rise in yields. To ensure stable domestic prices, rice exports have been temporarily suspended. The 1983/84 corn crop should improve marginally to 3.2 million tons, thus continuing feed grain import needs at over 400,000 tons. Recent Philippine foreign exchange constraints, however, are

expected to limit not only corn imports, but also oilseed, dairy, and wheat imports.

Largely through an unexpected rise in sugar purity, the Philippine 1982/83 sugar production was buffered from last year's drought, but the drought is expected to reduce the 1983/84 crop. The milling season has been delayed 2 months (until November), and both sugarcane tonnage and raw sugar production are forecast to drop 10 percent, netting 2.28 million tons of centrifugal sugar. Philippine sugar exports should total 1.2 million tons during 1983/84, with 20 to 25 percent going to the United States. [E. Wayne Denney (202) 447-8229]

Africa and the Middle East

Sub-Saharan Food Situation Critical

Sub-Saharan Africa is currently experiencing a food crisis more widespread than previous regional emergencies. Food supplies are short in at least 20 countries¹. In many of these, drought has seriously reduced output, while in others, longer term economic and political factors are responsible for the precarious situation.

The Ivory Coast and South Africa are the only countries capable of making sufficient commercial imports to cover shortages. The others are highly dependent on concessional supplies to meet their increased needs. A recent USDA estimate shows that some 18 Sub-Saharan countries will need nearly 3 million tons of food aid in 1983/84, even after projected commercial purchases of close to 5 million. Following the recent Food and Agriculture Organization (FAO) conference in Rome, major donors agreed to increase food aid to Africa, and USDA has proposed additional food assistance of \$25 million.

Drought Devastates Southern Africa

This region is in the grips of the worst drought of the century. The human and economic implications are grim as some 7 million people face severe hunger, and possibly starvation. Livestock losses are substantial, particularly in Botswana, Mozambique, and the Black Homelands of South Africa.

Regional corn imports are now estimated at about 4.2 million tons. South Africa will take about 60 percent of this commercially, with the United States and Argentina competing for sales. Corn stocks in early 1984 will be very low in southern Africa, in contrast to the large stocks held by South Africa and Zimbabwe in early 1983. All southern African countries, except South Africa, are expected to require larger wheat imports. Only Malawi—unaffected by the drought—increased its corn output, and is exporting within the region.

South Africa's 1983 corn crop is now estimated at only 40 percent of normal, forcing large imports and a halt to exports. Serious food problems exist in the underdeveloped, overcrowded Black Homelands of South Africa. This year, the subsistence agriculture in several of these areas yielded little or nothing, and malnutrition is

¹Angola, Benin, Botswana, Cape Verde, Chad, Ethiopia, Gambia, Ghana, Ivory Coast, Lesotho, Mauritania, Mozambique, Senegal, Somalia, South Africa, Swaziland, Tanzania, Togo, Zambia, and Zimbabwe.

more widespread and severe. International voluntary organizations have estimated that at least 100,000 children are in dire need, and the number is increasing. In addition, rising food prices threaten the diets of people who have lost their jobs in the recession over the last 2 years.

The impact of the drought has probably been most severe and potentially disastrous in central and southern Mozambique. Production and marketing in much of the country have been further disrupted by guerilla insurgency, which also inhibits distribution of relief supplies. Diseases and deaths from hunger have occurred in some areas. Cereal import requirements for 1983/84 have nearly doubled to an estimated 600,000 tons. Imports received or committed now total just over 300,000 tons—85 percent as food aid. This still leaves a large gap until the 1984 harvest in April. Additional protein sources, logistical support, and seeds are also needed.

Zimbabwe's grain output was reduced by nearly 50 percent, and corn exports were scaled back. Wheat imports are expected to escalate from 30,000 tons to well over 100,000 tons. Two million people in the rural areas require relief assistance, but this can be met largely from domestic corn stocks. These will soon be exhausted, however, leaving the country vulnerable if next year's crop is also poor.

Other countries badly affected are Swaziland, Botswana, Lesotho, and Zambia. The first three are expected to purchase most of their corn requirements from South Africa, although Lesotho will also rely heavily on food aid. Severe food shortages in Angola are mainly a result of continued warfare rather than drought.

The United States responded in 1983 with \$25 million of emergency aid under P.L. 480, title II, for southern Africa, mainly directed to Mozambique, Lesotho, Zimbabwe, and Zambia. Wheat, vegetable oils, rice, and dry milk have been the major commodities.

Shortages Persist in East Africa

Ethiopia has a serious food shortage due to a variety of causes, including seed shortages and the Government's failure to build up stock reserves on time. Drought in the northern highlands in both 1981 and 1982 led to crop shortfalls. Cereal production was an estimated 3.4 million tons in 1981/82 and 3.6 million in 1982/83, well below the average 4.1 to 4.5 million tons in years of adequate rainfall. In 1983, rainfall has been sufficient for crops, but because of a seed shortage, cereal output may be low again this year.

With Ethiopia's foreign exchange shortage, grain imports have been lower than needed to sustain adequate consumption. Below trend harvests and low imports have led to serious food shortages and some malnutrition among 3 million rural dwellers in the North. Emergency assistance in 1983 included 22,500 tons of grain and blended food products from the World Food Program; 11,000 tons of dry milk, blended food, and vegetable oil from the U.S. Catholic Relief Service; and 2,500 tons of dry milk and butter oil from the EC. Apparently, the volume of food assistance from donors has been sufficient, but inadequate roads and transportation have seriously hindered distribution to drought victims.

In Somalia, low rainfall led to a 23-percent reduction in 1983 grain output from last year's bumper crop. A grain shortage late this year is expected, and will have to be met by increased concessional imports.

Harvests Lower in West Africa

In West Africa, the harvest has begun and will be mostly completed by the end of the year. Abnormal weather disrupted crop production in many countries throughout 1983. Coastal regions from Ivory Coast to Nigeria suffered from an unusually severe dry season during late 1982 and early 1983. Not only was there no rain—but small amounts are normal—but also there was the harmattan wind from the Sahara that moved into coastal areas evaporating soil moisture and fanning brush fires. Standing food crops such as plantains and cassava were badly affected.

The brush fires that devastated West Africa this spring damaged crops—coffee, cocoa, and oil palms—in Ivory Coast, Ghana, Togo, Benin, and Nigeria. As a result, export earnings will be down, and some countries will be hard put to import food to make up for the production shortfalls.

Chronic food shortages in Ghana will become critical during the next 3 to 6 months. Output of food crops and cocoa—the main export crop—has declined sharply for several years, and the country has little foreign exchange to import food. As a result, Ghana needs about 300,000 tons of imported grain during the next year. Commercial import capacity is calculated at only 80,000 tons; the remainder will have to be covered by food aid. Togo and Benin will also need small quantities of food aid, while Ivory Coast will import commercially about 600,000 tons of grain.

The May-September rainfall in the Sahel varied from only 30 percent of normal in northern Senegal and Mauritania to near normal in southern Mali, Upper Volta, and Niger. Senegal, Mauritania, Cape Verde, and Gambia have reduced harvests and will require additional food aid. The rains were inadequate in northern Mali and Niger, and cattle herds are likely to suffer from lack of pasture.

In Chad, an already precarious food balance is being aggravated by renewed hostilities. Prospects for the current cereal crop are poor. In the north, production is likely to be below normal for the third successive year because of insufficient moisture. In the south, rainfall was adequate, but food aid will still be necessary. [Michael E. Kurtzig and Peter A. Riley (202) 475-3444]

Latin America

Economic Conditions Unchanged

The economy in Latin America has changed little since midsummer. Most countries have adopted severe austerity measures to overcome economic difficulties. The region's gross domestic product (GDP) is expected to decline 2 to 3 percent from 1982. Serious foreign exchange shortage facing many countries continues to retard trade, especially in high-value products. Some countries are experiencing improved trade balances as

world prices for their exports improve and as measures to reduce imports take hold.

Agricultural Output Higher

Mexican agricultural production for this year should be well above last year's weather-plagued output. Sufficient and timely rainfall has raised hopes for above-normal output, and reservoir water levels appear sufficient to provide irrigation for the remainder of the season. Northwest crops appear to have been damaged little by Hurricane Tico, which hit southern Sinaloa in early October.

As a result of improved production and reduced domestic demand, agricultural imports are estimated to be down for most commodities. Of the major crops, only wheat imports are expected to increase, from 50,000 tons in FY 83 to 1.2 million during FY 84. Corn and sorghum imports will be off 19 and 26 percent, respectively—3.5 million tons for corn and 2.5 million for sorghum. Imports of soybeans are forecast to be about 500,000 tons, down one-half from this year. Oilcake and meal imports will also be lower because of weak demand for livestock feed.

Brazilian agricultural production in 1983 is expected to increase 4 percent over last year. This outlook is less optimistic than earlier because rain during harvest time hurt area and yields of key crops. Despite the rain, 14.8 million tons of soybeans and 21 million of corn will make 1983 the third largest year of production for these commodities. Coffee, recovering from frost damage to the 1982 harvest, and sugarcane for alcohol, responding to government incentives for consumers to switch to alcohol-powered vehicles, are also doing well.

Argentine agriculture continues to do well, in spite of extensive flooding in the industrial crop and cattle zone during May and June 1983. Spurred by a record wheat crop, grain production was about 32 million tons, generating 20.6 million tons of exports. Although soybean outturn was hurt by the floods, Argentina produced about 6.9 million tons of oilseeds because of a bumper sunflower crop. High domestic prices stimulated ranchers to rebuild herds, thus keeping beef production at only 2.3 million tons. Because of high export taxes and rapidly rising processing costs, Argentina has had problems meeting commitments for beef exports and competing with highly subsidized Brazilian and EC meat exporters. Beef exports in 1983 are forecast at 420,000 tons, the lowest since 1975.

Argentine agricultural output in 1984 is expected to remain essentially unchanged from this year. Grains will again be led by a strong wheat outturn, currently forecast at 12 to 13 million tons; about 19 million tons will be exported. Oilseed production should jump, as soybeans recover to 4.7 million tons and the sunflower crop may set a record 2.5-million-ton harvest. Differential taxes favoring domestic oilseed crushing will probably be maintained, even if general export taxes fall. Responding to Government credit incentives to producers and exporters, beef production and exports are expected to increase slightly, to 2.4 million tons and 430,000 tons, respectively.

Agricultural production in the Caribbean Basin countries is expected to be off 1 to 3 percent in 1983. During 1982

and 1983, food crop production in Central America was hit hard by the unusual El Nino weather patterns. Overall Central American agricultural output is expected to be off 3 to 5 percent in 1983, although production of coffee and cocoa could be slightly higher in some countries. The Caribbean (other than Cuba) appears to have had average weather, and its 1983 production is expected to be up 1 to 3 percent.

Agricultural production in the Andean countries is expected to be lower in 1983. Production is expected to be the same as last year in Columbia, and lower in Venezuela, Bolivia, Ecuador, and Peru.

U.S. Exports to Latin America Steady

U.S. agricultural exports to Latin America in FY 83 remained depressed, at \$4.9 billion. Exports to Mexico increased about 19 percent, to \$1.8 billion. Shipments of feed grains and soybeans to the region were higher, but low prices resulted in a lower value for most other commodities.

The value of U.S. farm exports to Latin America in FY 84 is forecast to increase as higher prices offset some declines in quantities. This assumes that production will return at least to trend levels, and that a tight foreign exchange and sluggish economic growth will persist.

The United States, Latin America's principal wheat supplier, shipped the region 6.8 million tons in FY 83, valued at \$1.1 billion, compared with FY 82's 8 million tons, valued at \$1.4 billion. During FY 84, shipments are expected to reach 7.8 million tons, valued at \$1.2 billion.

Feed grain shipments, 27 percent of all U.S. farm products shipped to the region, jumped over 6 million tons from FY 82, to about 10 million, valued at \$1.3 billion. In FY 84, U.S. feed grain exports are forecast to decline to 9 million tons, valued at about \$1.3 billion.

U.S. exports of oilseeds and products for FY 83 valued \$1 billion, and accounted for about 20 percent of all agricultural exports to the region. This represents a slight increase from FY 82. In FY 84, U.S. exports of oilseeds and products are expected to be either about the same as FY 83 or slightly higher.

Animal products, fruits, nuts, vegetables, and other farm products generally account for about 25 percent of total shipments to the region. The \$1.2 billion for these products in FY 83 was 70 percent of the FY 82 value. Some improvement is expected for FY 84. [John Link (202) 447-8133]

WORLD TRADE AND FOOD POLICY

Trade Agreements

Canada-East German Grain Agreement

Canada and the GDR signed an agreement in September to supply the GDR with 3 million tons of grain over the next 3 years, primarily feed barley and some durum wheat. The agreement between the Canadian Wheat Board and the East German Nahrung Export-Import, begins January 1, 1984, and runs through December 31,

1986. Periodic negotiations will be held to determine the specific quantities of grain for shipment. In addition, the agreement provides most-favored-nation (MFN) trading status for goods exchanged between the two countries, as well as 2 years of government-guaranteed commercial credit by Canada.

Zimbabwe-East German Agreement

In October Zimbabwe and the GDR initiated a Joint Commission for Economic Cooperation, to promote further countertrade agreements between them similar to their earlier exchange of Zimbabwean tobacco worth Z\$15 million (about US\$15.33 million) for an equal value of GDR industrial and other goods. Zimbabwe hopes to use countertrade agreements with other countries to expand its trade beyond commerce that requires foreign currency so as to circumvent its foreign exchange constraints. To ensure that barter trade does not replace

cash trade, Government officials have set specific criteria, such as requiring that countertrade sales be transacted only after "cash negotiating possibilities have been exhausted."

Australia-Chinese Sugar Agreement

In October, Australia and the PRC signed a long-term contract to sell the PRC 750,000 tons of sugar between 1984 and 1986. In the contract, much of the sugar will be sold at the present world price of about \$220 per ton, but a significant amount would be sold at higher prices. Full pricing details of the agreement between the private Australian firm, CSR Ltd., and the official Chinese agency, CEROILFOODS, are confidential. Nevertheless, the contract should provide Australia with more favorable sugar prices than the 1980 contract, when record surpluses kept world sugar prices low. [Edward C. Wilson (202) 447-8470]

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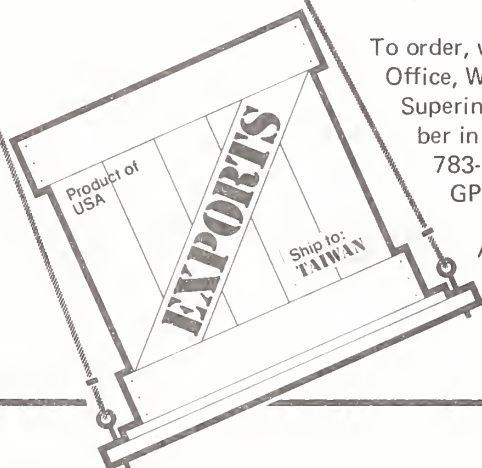
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Projections of Foreign Commodity Supply and Demand

by

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Economic Research Service

Abstract: Future U.S. agricultural exports will depend on the outlook for foreign demand and supply, which in turn will be influenced by economic growth, population changes, diet shifts, policies, and prices. U.S. exports of major foods and feeds are expected to continue rising as poor countries continue to import basic foods and more affluent countries expand meat consumption. Total U.S. agricultural exports may grow 3 percent a year over the next 10 years, a lower rate than the boom experienced in the 1970's.

Keywords: Wheat, rice, coarse grains, protein meals, meat, foreign agriculture, exports, agricultural projections, foreign demand, and foreign supply.

Foreign output and use of major food and feed commodities are forecast to rise over the next 10 years. However, the U.S. share of world trade may fall in wheat and coarse grains and stabilize in rice and protein meals. USDA analysis of macroeconomic factors—economic growth rates, debt levels, inflation and exchange rates, population growth, and policies affecting output, use, and trade—suggest that the growth of U.S. agricultural exports in the 1980's will be slow compared with the 1970's. The outlook for U.S. commodity exports depends on the relative growth in foreign demand, competitor supplies, and importing country supplies. Commodity analysts in the International Economics Division have made forecasts for production, use, and trade of each of the major agricultural commodities for all major countries and regions using analyses provided by IED regional economists.

The basic factors that shape demand for agricultural products will continue in the 1980's to be demographics, economics, and politics. The population is forecast to grow 15 percent by the end of the decade. This is expected to generate about a 10-percent gain in demand for agricultural products. Because of the geographic distribution of population growth and food production increases, per capita food consumption changes will vary. Although real economic growth rates are expected to be lower in this decade than last, income-related shifts in diets toward more livestock products are likely to continue, and may accelerate in some countries, such as the middle income ones, with more favorable economic prospects. Thus, the total income related growth in foreign demand for agricultural products is likely to continue at the pace of the last several decades. The outlook for wheat, rice, coarse grains, protein meals, and meat outside the United States follows.

Wheat

In the 1980's, continued large wheat supplies by the major exporters, a slowdown in growth of foreign use, and no anticipated major world stock buildup programs (except in USSR) will likely result in an oversupply in wheat, slow growth in trade, and declining worldwide real wheat prices.

Foreign Output To Rise

Foreign production is forecast to increase about 2.5 percent a year through 1991/92, or at about the same rate as in the past 10 years. Yields are expected to increase fastest in developing countries, because of expanded and more efficient use of inputs. Productivity in other coun-

World wheat supply and use

Year/region	Production	Total use	Net exports
<i>Million tons</i>			
1979/80 - 1981/82			
Developed (less U.S.)	98.2	70.0	30.2
Developing	94.0	131.0	-37.2
Centrally planned	179.5	216.6	-31.7
World (less U.S.)	371.7	417.6	-38.7
1991/92			
Developed (less U.S.)	125.5	74.4	49.8
Developing	131.0	192.4	-61.2
Centrally planned	239.0	256.3	-17.8
World (less U.S.)	495.5	523.1	-29.2
<i>Percent</i>			
Annual growth rate			
Developed (less U.S.)	2.1	0.5	4.3
Developing	2.8	3.3	4.3
Centrally planned	2.4	1.4	-4.7
World (less U.S.)	2.4	1.9	2.3

¹Eileen Manfredi, Bradley Karmen, James Cole, Jan Lipson, Linda Bailey, and Gerald Rector.

tries is already high, so future yield increases are not expected to be as great.

Foreign Use To Grow

The bulk of wheat consumption is for food, seed, and industrial uses. The consumption rate will continue to increase at about 2.7 percent (annual compound), the same as during the past 2 decades. With the world's population growth expected to slow, per capita consumption will increase, but unevenly. In the developed countries, and in some centrally planned countries (CPC), per capita food use will fall, or continue to fall, as livestock products replace grain. Nonfeed use in the developing countries will grow about 4 percent a year, the same as the previous decade, and will likely be highest in the higher-income countries such as Mexico, Egypt, Nigeria, and Indonesia. In other countries, especially those in Africa, per capita use may decline.

The biggest change in wheat use expected over the next decade will be in feeding. About half of the wheat used as feed is consumed in the USSR; the other half is in the developed countries, especially the European Community (EC). Wheat feeding grew rapidly in the USSR during the 1960's, slowed during the 1970's, and is expected to stagnate in the 1980's as the Soviets switch to more coarse grain and protein meals. Outside the USSR, feed use will probably also slow. Global wheat consumption is anticipated to fall from an annual growth of nearly 3 percent in the 1970's to about 2 percent in the 1980's.

Trade Outlook Dim

Because of the growing gap between global wheat use and output, trade for the next 10 years is forecast to increase about 2 million tons each year, compared with a 5-million ton average during the previous decade. However, if consumption rose about 0.5 percent above the forecast, approximately the growth of the 1970's, trade could expand about 5 million tons annually.

A continuing trend of the past two decades indicates that importers will become less self-sufficient, relying more on imports to supply a greater share of their consumption. The necessary trade increase will likely come from foreign exporters at the expense of the United States. The United States is not expected to recapture the almost 45-percent market share it enjoyed during the 1970's, when other exporters' supplies were smaller. In 1983/84, the U.S. market share is forecast at only about 40 percent, where it is projected to remain during the upcoming decade.

Rice

Foreign output of rice is expected to expand 1.9 percent annually through 1991/92. The increases will come largely from yield gains, especially in the developing countries. India, Bangladesh, and Indonesia are each likely to expand production, but the area may not change. In the developed countries, production will probably fall as Japan continues to reduce rice area and output. Foreign consumption will likely expand along with output.

World rice supply and use

Year/region	Production	Total use	Net exports
<i>Million tons</i>			
1979/80 - 1981/82			
Developed (less U.S.)	11.4	12.0	0.5
Developing	150.7	153.9	-2.1
Centrally planned	98.7	99.2	-0.5
World (less U.S.)	260.8	265.1	-2.1
1991/92			
Developed (less U.S.)	10.5	10.9	-0.4
Developing	199.2	202.2	-3.5
Centrally planned	116.9	117.4	-0.5
World (less U.S.)	326.6	330.5	-4.4
<i>Percent</i>			
Annual growth rate			
Developed (less U.S.)	-0.7	-0.8	-1.8
Developing	2.4	2.3	4.3
Centrally planned	1.4	1.4	NA
World (less U.S.)	1.9	1.9	6.3

NA = Not available.

Trade prospects will probably brighten for the United States and for its major competitors, with import demand expected to strengthen in the mid-1980's. After several years of stagnant shipments, larger exporters will likely increase shipments. U.S. exports could reach their previous peak by the early 1990's, and increases will probably come also from Thailand, Pakistan, and Burma. Import needs may rise the most in Africa and the Middle East, while needs in Indonesia and South Korea—which rely on imports to supplement production—show the greatest uncertainty.

Coarse Grains

Despite a projected reduced growth for foreign coarse grain area, large yield increases are projected to boost foreign production to record levels in the next 10 years. Growth is forecast at 2.1 percent annually through 1992, compared with 1.9 percent during the 1970's. Consumption is forecast to grow at a slower rate than in recent years. Combined, these factors indicate that the growth of imports will slow somewhat, and that the U.S. role in world coarse grain trade will remain high.

Foreign Output To Increase Sharply

Foreign coarse grain production in the 1980's is forecast to rise about 50 percent higher than that of the previous 10 years. By the end of the decade, production may approach a record 640 million tons. Substantial increases are forecast for all major foreign regions, but will be paced by the CPC with growth at 2.5 percent per year. This is much higher than it was in the 1970's because of production shortfalls in the USSR in the late 1970's and early 1980's. Annual growth during the upcoming decade in foreign developed and developing regions is estimated to be 1.7 and 1.9 percent, respectively.

The increase in foreign production is virtually from yield increases, with only minor area expansion seen. Only 5 million more hectares of coarse grains are estimated to be planted by the end of the 1980's, compared with 11 million more in the previous 10 years.

World coarse grains supply and use

Year/region	Production	Total use	Net exports
<i>Million tons</i>			
1979/80 - 1981/82			
Developed (less U.S.)	132.8	157.7	-23.7
Developing	158.6	169.6	-12.1
Centrally planned	222.8	253.5	-29.8
World (less U.S.)	514.2	580.9	-65.6
1991/92			
Developed (less U.S.)	159.4	188.5	-29.2
Developing	194.7	235.4	-40.1
Centrally planned	293.6	318.8	-25.7
World (less U.S.)	647.6	742.7	-95.0
<i>Percent</i>			
Annual growth rate			
Developed (less U.S.)	1.7	1.6	1.9
Developing	1.9	3.0	11.5
Centrally planned	2.5	2.1	-1.3
World (less U.S.)	2.1	2.3	3.4

Consumption Relationships To Change

In all foreign markets, feed use of coarse grains is expected to grow almost 4 percent annually in the 1980's—only slightly more than 10 years earlier. However, growth of nonfeed uses (primarily food) is forecast to continue to grow at last decade's rate. As the CPC continue to improve livestock rations by feeding more coarse grains, feed use is forecast to grow about 3.7 percent per year—the same as in the 1970's. Nonfeed uses in this region are estimated to grow only 2.1 percent annually, a decline from the 1970's.

Trade Growth To Slow

The growth rate for foreign coarse grain consumption is forecast to increase more than for production in the 1980's. Foreign imports may increase only 3.4 percent, following a 10-year period of 8.4-percent average annual growth. Growth of imports into the foreign developed and developing markets is forecast to slow considerably, and CPC imports may decline as the Soviet Union expands domestic feed grain supplies. Soviet coarse grain imports are likely to fall over 2 percent annually. As competitors increase production, with foreign consumption remaining about the same, the U.S. share of coarse grain trade during the next 10 years may fall slightly from its current 60 percent.

Protein Meals

Foreign livestock and poultry expansion, income and population growth, and foreign competition from major exporting countries will affect U.S. protein meal exports, which provide nearly two-thirds of world oilseed trade. Gains in livestock will boost demand for protein meal in feed rations, particularly as CPC and developing regions improve their feed rations.

Foreign Output and Use To Rise

Production growth in the foreign developed countries is likely to be 1.3 percent per year, and the growth of con-

World oilseeds supply and use¹

Year/region	Production	Total use	Net exports
<i>Million tons</i>			
1979/80 - 1981/82			
Developed (less U.S.)	5,185	31,668	-26,483
Developing	25,219	16,408	8,811
Centrally planned	12,132	19,806	-7,674
World (less U.S.)	42,536	67,882	-25,346
1991/92			
Developed (less U.S.)	6,062	39,445	-33,383
Developing	38,900	31,232	7,668
Centrally planned	18,595	29,157	-10,562
World (less U.S.)	63,557	99,834	-36,277
<i>Percent</i>			
Annual growth rate			
Developed (less U.S.)	1.3	1.8	1.9
Developing	3.1	5.5	-1.2
Centrally planned	3.6	3.3	2.7
World (less U.S.)	3.4	3.3	3.0

¹Oilseeds in 44 percent meal equivalent.

sumption and trade may slow to around 1.8 percent annually. These countries fully use protein meals in feed, and their needs may gain slowly. The EC is the world's largest consumer of protein meals because of the price structure, which favors soybean meal use under the EC Common Agricultural Policy. The percentage of protein meals in total feed may decline slightly as changes evolve in the EC dairy sector. Furthermore, except for Canada, most developed countries are small producers, and already import a substantial portion of their needs.

Most of the growth in production, consumption, and trade will occur in the CPC and developing regions. Production is rapidly growing at an annual rate of 3.1 percent in the developing countries, and 3.6 percent in the CPC, and both the developing countries and CPC are expected to improve feed rations with more protein meals.

Annual growth in protein meal consumption of 5.5 percent is forecast for the developing countries as a group. In Asia, economic growth is expected to boost hog and poultry output and to drive protein meal demand during the 1980's. In the petroleum-rich countries, income growth will spur protein meal consumption as the poultry sector expands. Currently depressed petroleum prices may dampen forecasts of import growth in these countries slightly, but over the decade they are expected to be a major growth market.

In the CPC, consumption is expected to rise 3.3 percent annually. The USSR is expected to continue improving its feed rations by including large quantities of protein meals. This trend raised imports sharply last year and is likely to continue, but at a slower pace. In China, the recent, rapid production growth has subsided somewhat, but the country may remain a small net exporter.

Exports of major U.S. competitors, Brazil and Argentina, will likely expand over the decade. However, with a growth in foreign import demand, the market share of U.S. soybean exports is likely to remain stable.

Per capita meat consumption

Region	1982	1987	1992
<i>Kilograms</i>			
Developed	77.4	78.8	80.4
Centrally Planned ¹	34.7	37.5	39.9
Developing	13.3	13.9	14.6
Americas	38.1	38.2	40.4
Africa ²	20.5	21.8	22.5
Asia	5.5	5.9	6.3

¹Does not include poultry for the PRC. ²North Africa/Middle East.

Meat

World meat production is expected to grow around 1.9 percent annually in the 1980's and early 1990's. However, population increases will limit the growth in per capita consumption to only 0.30 to 0.35 percent per year. In addition, the production patterns of the various meats and the regional growth rates in production and consumption differ considerably.

Poultry Leads Consumption Growth

World poultry production and consumption has expanded much slower in the early 1980's than in 1975-1979. While improved economic conditions will spur somewhat faster growth in the coming years, the rapid expansion of the late 1970's will not be repeated. During 1982-1992, production is expected to grow around 2.9 percent per year, as per capita consumption expands 1.2 percent. Per capita consumption will show the largest expansion (2.6 percent) in the CPC (the People's Republic of China is not included), led by rapid gains in the USSR. Also, improved economic health in Poland will again expand poultry production and consumption in Eastern Europe.

The developing countries' per capita poultry consumption will grow around 2.4 percent per year during 1982-1992. Yet, poultry's share of total per capita consumption will expand 4 points to 30 percent. The rapid consumption growth in high-income East Asia and North Africa and the Middle East regions in the mid- to late 1970's has slowed substantially in the early 1980's. It will pick up again in coming years before slowing near the end of the decade. Also, as Mexico's economy improves, poultry consumption and production will rebound from the depressed 1983/84 output.

Poultry production may expand around 1.8 percent in the developed countries, where per capita consumption is expected to grow only around 1 percent annually. Higher self-sufficiency in the CPC and developing regions will somewhat limit their exports.

Pork Consumption About Flat

World pork production is expected to grow around 1.7 percent per year between 1982 and 1992, lead by gains in Asia and the CPC. However, since those regions having the largest production gains also have some of the largest population growth rates, world per capita consumption may only grow marginally, and will decline relative

to other meats. The developed countries will see little, if any, growth in per capita pork consumption.

Pork production is expected to grow around 2 percent a year in the CPC, or almost 5.2 million tons between 1982 and 1992. However, with population in this region expanding by over 150 million people during the period, per capita consumption will expand less than 1 percent per year. PRC production may expand over 2 percent per year if the envisioned increased productivity (meat per sow per year and yield per hog slaughtered) is achieved.

In the developing countries, growth in Asia's pork production and consumption will slow during the late 1980's. However, as Mexico recovers from its current economic plight, production and consumption will expand fairly rapidly. For all the developing countries, per capita consumption of pork is expected to be up, around 0.8 percent a year.

Ruminant Expansion Small

World production of ruminant meat (beef, veal, lamb, mutton, and goat meat) is expected to expand the slowest—around 1.5 percent a year. Per capita consumption in 1992 will be nearly the same as in 1982. Herd rebuilding in some of the major producing areas, like the United States and Oceania, plus slow demand growth in other areas because of beef and lamb's relatively high price, will keep output in the developed countries to 0.5 percent growth a year during 1982-1987. After the herds are rebuilt, production may expand around 1.5 percent in the late 1980's and early 1990's.

Per capita consumption of beef and sheep meat in the USSR is comparable with consumption in many of the developed countries, but makes up a much smaller percentage of total meat consumption in Eastern Europe and China. The USSR's consumption of ruminant meat is expected to show almost 2 percent a year growth through 1992. Weighing in the smaller consumption and large populations in Eastern Europe and China results in only about 0.6 percent annual growth in the aggregate CPC per capita consumption.

Except for Argentina, Brazil, and some other Central and South American countries, consumption of ruminant meat in most developing countries is well below those of the developed countries. Altogether, the developing countries may see around 0.20- to 0.25-percent growth per year in per capita ruminant consumption.

Meat Trade To Change Little

World meat trade in the coming years will follow much the same pattern as in recent years. Although ruminant meat exports will be limited until the late 1980's by a rebuilding of the cattle herd in Oceania, they will continue to dominate meat trade in volume and value. Pork trade will be fairly flat as major consumers meet their increased needs via domestic production. Poultry imports may grow around 5 percent per year in the Middle East. With the exception of some small increases of high-value beef exports to Japan, little growth is expected in U.S. meat exports. However, the United States will continue as the world's largest importer of beef and veal.

Asian Countries Seek to Enhance Food Security

by

E. Wayne Denney¹

Abstract: The Food and Agriculture Organization's (FAO) Food Security Commission for Asia and the Pacific convened for the first time in August 1983 in Bangkok, Thailand. The Commission will serve as a forum for consultation on regional food security issues, and will not be an implementing organization.

Keywords: Food security, agricultural production, agricultural trade, food aid.

The first session of the Food Security Commission for Asia and the Pacific convened in Bangkok, Thailand, August 16-19, 1983. Collective self-reliance was the theme. Initial arguments to establish the Commission came from developing Asian countries during the 16th FAO Regional Conference for Asia and the Pacific in June 1982. Many countries in the region faced stagnating per capita food production, rising food import bills, and some erosion of food aid, and many of them wanted a forum to discuss their problems of food security. In November 1982, the FAO Council officially created the Commission.

The first session dealt with organization and planning. Although the Commission's importance for enhancing regional food security is still to be determined, most of the countries in the region were represented. Participants included Australia, Bangladesh, France, India, Indonesia, Japan, Kampuchea, South Korea, Laos, Malaysia, Nepal, Pakistan, the Philippines, Thailand, and the United States. Although China did not attend, it is expected to join; Sri Lanka did not attend because of internal strife at the time of the meeting. The United States and France were permitted to participate because both countries have territories in the Pacific region.

Cereal Production and Imports Rising

To provide a backdrop for further discussion, the 1971-1981 cereal production trends in the region were analyzed. Cereal output increased at a compound rate of 3.1 percent during the period, higher than in other developing regions, and ahead of the 2-percent annual population increase. However, performance among the countries was uneven. Of the 23 cereal-producing countries, 9 had an annual production growth rate below 2 percent, and population growth outstripped production growth in 8.

All attending the session agreed that the first necessary step toward achieving food security is producing more food. While food aid was recognized as an essential component of food security, it was encouraging to the United States to see an approach based on self-improvement.

Most countries felt that to increase production they would have to raise yields and intensify cropping, because the prospect for bringing new area under cultivation is not promising. Several countries have successfully increased cereal yields by using new varieties and more fertilizer, expanding irrigation, and providing incentives to producers.

The Commission recognized that each country needed to examine further its own costs and benefits with respect to input use. The Commission's role would be limited to identifying successful experiences and making them available to all member countries.

Developing Asian countries have increased cereal imports from an average of 20 million tons in the early 1970's to 35 million in the early 1980's. Difficulties with balance of payments have prevented many countries with food deficits from importing enough cereal to cover production shortfalls. Several delegates expressed concern that cereal food aid to Asia had stagnated at 2 million tons annually, despite rapidly rising requirements. Others noted that carryover stocks in many Asian countries tended to be low, making them particularly vulnerable to production shortfalls. The Commission supported FAO's proposal to hold a Regional Workshop on Stock Management and Logistics.

Early Warning Systems Encouraged

Because Asian countries frequently experience drought, floods, diseases, and pest infestations, programs are needed to better assess the impending food shortages such calamities may cause. Countries were encouraged to strengthen nationwide warning systems that would signal potential food emergencies. Many countries did not have such systems. Some countries even had serious deficiencies in obtaining valid data for crop area and production. Several had no adequate mechanism for forecasting food supply and demand, or for carrying out integrated analysis of available data.

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The Commission stressed the importance of sharing information and experiences in operating nationwide warning systems. It particularly emphasized this for countries with similar rainfall patterns and farming conditions. This sharing might eventually lead to arrangements for regional or subregional warning systems to complement the nationwide systems.

Efforts To Reduce Post-Harvest Losses

Studies in several Asian countries suggest a 20- to 30-percent loss of cereal production during harvest and post-harvest operations. While the Commission agreed that losses of this magnitude were intolerable, appropriate remedial action is not apparent in most instances. Few studies have pinpointed problems or formulated least costly methods of controlling and preventing the losses. A proposed FAO/UNDP project, entitled "Inter-country Cooperation in Post-Harvest Technology and Quality Control for Food Grains," could help gradually reduce cereal losses in the region.

Regional Food Reserves Discussed

Briefly reviewed was a recent study by the Economic and Social Commission for Asia and the Pacific (ESCAP), which advocated a South Asian food reserve. But because South Asian countries had not yet expressed a desire for a food reserve, the Commission did not deem it appropriate to promote the idea. Instead, the Commis-

sion noted that the ESCAP study recommended four types of reserves: (1) regional coordination of national security stock programs; (2) national stocks reinforced by regional stocks; (3) regional stocks instead of national stocks; and (4) national stock-holding partly delegated to a neighboring country. Alternative means of enhancing food security by some type of regionally coordinated stocks could be important issues for Asian countries during the 1980's.

Commission as a Food Security Forum

By its mandate, the Commission will not implement policy. Its future role will be entirely as deliberator. It will monitor and evaluate food security issues in the region and make recommendations for action. During the next biennium, the Commission's priorities will encompass: (1) preparing a comprehensive review of the region's food situation, including production, trade, stocks, distribution, pricing, and balance of payments; (2) identifying successful experiences in increasing food production; (3) organizing a regional workshop among national food grain agencies on stock management and logistics; (4) organizing a workshop to exchange experiences in setting up nationwide warning systems; (5) organizing training courses and seminars on food marketing; (6) organizing a network of national institutions on agricultural waste used for energy conservation; (7) comparing storage techniques and structures; and (8) eliciting reaction of South Asian countries to establishing a subregional food reserve.

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